3Q 2018 results:

Webcast Q&A transcript

Tuesday 30, October 2018

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Q&A Transcript

Christyan Malek (JP Morgan): Hi, thank you, Craig. And thank you for taking my questions. Two questions.

The first, while we welcome a fully cash-funded transaction for BHP, the only caveatto highlight is that this revised frame arguably makes you more implicitly long-oil, by virtually seeking to secure $5 billion to $6 billion of divestments in order to reduce debt. And in your press release you are obviously assuming oil prices remain firm, expecting to fund the first consideration with available cash rather than issuing equity. So, first question is − clearly the risk of oil price continues to be volatile − is it fair to say that you would allow your gearing to run materially over the top end of your band, in the event oil does move lower?

And the second question is shifting perhaps to more half-glass full. I'd like to understand the scope to enhance total shareholder return in 2019. I know you talked about it, Brian, on your introduction. Is it likely to be triggered through some sort of target quantum of debt reduction first, as you mentioned, in your expectations gearing moved towards the middle of the band by end 2019. The path to that upside would be very interesting. Thank you.

Brian Gilvary: Thanks, Christyan. So, I think the way to characterise it is, we had the option when we announced the deal at the beginning of July to do this on an all-cash basis or on the basis of 50% shares, 50% cash. What we've come out and said today is that we will now look to be at an all-cash basis. It's a much simpler transaction than we would have expected in terms of having to issue shares. And what that will create is much lower costs in terms of final transaction value.

I think the probability of a major oil price correction, which is probably what we'd need to see for gearing to go significantly above the 30% − I think, right now, it's not clear it'll breach through 30% next year, and depends on where the absolute oil price is. And I think it's probably worth just picking up; given oil price stock levels − and it's been four months since we announced the transaction − given oil price stock levels have now drifted down towards below the five-year average. Oil is now more prone to oil price movements and potential oil price major movements in either direction. So, I think you could see plus or minus $5, plus or minus $10. It feels pretty firm right now. I think we saw it get ahead of itself through this quarter, particularly ahead of the Iran sanctions, as we saw Iranian oil come off the market relatively quickly. We're starting to see some of that oil actually flow, whether it be into tank or into storage or domestically within Iran. But OPEC is sitting where it was vis-à-vis their quotas back in June.

So I think it's unlikely we're going to see a major correction. You'd have to see a fairly significant correction. And for this year, we think – by the end of this year, we will be cash balanced at around $50 a barrel. That will naturally go to $35 to $40 a barrel on a point-forward basis. And

,so, I don't think there's a concern of gearing going majorly above 30%. It may drift to the top end of the band in the first and second quarter of the payments, but I don't think it'll go majorly beyond that.

And then, in terms of gearing, that's not an objective itself. It will just naturally drift down. Now that we've said we'll reposition the divestments to pay down debt, we will start to see that going forward. So frankly, it will naturally drift towards the middle part of the band at around about $70 a barrel, assuming that's where we're at for next year; but we weren't actually setting the plan, yet, for next year until January time.

Christyan Malek: Till January. So your discussion around buyback would have to be approved around the sort of January-February time, as opposed to before year-end?

Brian Gilvary: No, buybacks, what we've also said with this is that the scrip buyback programme is always meant to be done over time and, therefore, it would take some time. So for this year, coming into 2019, we have committed to make sure that all the scrip is repurchased by the end of the 2019. With the proposed equity issuance to fund the BHP transaction, we we would have been in the position through the fourth and first quarter, where we'd be issuing stock and buying back scrip dividend, which would have been counterintuitive and not really make a lot of sense. So we'll continue with existing program to offset scrip dilution through the first half of next year, and expect to offset everything we've issued since the third quarter of 2017 by the end of next year.

Christyan Malek: Thank you.

Irene Himona (Société Générale): Thank you. Good morning. I had two questions. First, Brian, you referred in your prepared remarks to the oil market, oil price volatility. I believe Bob was recently quoted in an interview saying that in your project investment appraisal process, you now tend to use $60 to $65 than $50 to $55. I was just wondering if you can elaborate on that topic? Then, secondly, Upstream unit production costs up a little bit 1.5% in the nine months. I wonder if you can please share your expectations for that metric in 2019 as you incorporate BHP and if prices remain where they are? Thank you.

Brian Gilvary: Thanks, Irene. Maybe on that – I'll come back to the question of $60, $65 in Bob's recent comments, because I've received a lot of questions about that this morning. So I think I'll just take this opportunity to clarify what Bob was talking about in terms of Oil & Money conference and $60, $65.

In terms of unit production cost, it's very simple why you've seen a slight uptick. One is we had big maintenance scheduled through 3Q, which we typically do in 2Q and 3Q in the Upstream. And also, obviously, with the higher oil prices, you start to get PSA effects come through the volume metric measures, which therefore reduce the denominator. So, as oil prices go higher, that volume number comes down. So you will see a little bit of movement around that.

But the overall trend is still in the same direction, which is downward. And a lot of that's been driven by technology and a number of things that actually Bernard will take you through in a lot more detail at our Investor Day in December. So, we'll go into a bit more granularity around that, but the overall trend is still down.

In terms of $60, $65, Bob was talking about – so, we run basically two or three numbers, but the ones that we're really focused on our investment case is $50 a barrel and $75 a barrel. And I think Bob was basically describing where the middle of that range is. I think he was actually referring, coming into this year, we normally set our plan, our oil price for a 12-month period, which just helps us manage the cash flows within that 12-month period.

This year, we set that at $55. A few weeks or months ago, we may have thought about what oil price to set for next year. Something around $60 to $65 seemed like a conservative number and we could start to plan on that basis. But the $60, $65 does not reference anything around specific investments that we're making. We run those cases at $50 and $75 a barrel. And at $75 a barrel real over a very long period of time, and $50 is the base case that we run everything at. That's how we look at our projects.

Irene Himona: Thank you, Brian.

Jason Kenney (Santander): Hi. Just looking at your indicator sensitivity, and the Downstream indicator – and I think it's $500 million operating profit per $1 per barrel refining indicator. I'm just trying to see how that reflects the widening group discounts that you can get in Canada. I know these are not necessarily, specifically Downstream or Upstream, but just trying to gauge if we can get a better sensitivity idea quarter-to-quarter or even year-to-year on those guidance, for 2019 in particular?

Brian Gilvary: Yeah, that's tough to do,– so in terms of guidance, you have to remember, Jason, that in any particular quarter, there's an awful lot of moving parts across the business. And so, therefore, the rules of thumb are really designed for − in a stable price environment, so in oil price of X, it doesn't move by more than a few dollars within that year. Then, you could reasonably use these rules of thumb.

When oil prices go from $50 to $80 a barrel, it's really difficult to use those rules of thumb. You're not going to get a perfect dollar-for-dollar move on those rules. That also applies in the refining space. We have seen huge differentials between Canadian heavy and WTI up to $40, $45 a barrel so far this year. They look like they're sort of set in terms of what we're expecting going forward, but we still expect a differential this quarter into next year, higher than the average that we've seen over the last two or three years.

You also have to then take into account the fact that, of course, we have apportionment on the pipeline, so we can't always run a 100% heavy crude out of Canada due to apportionment. Even in October, which is − all in the public domain, we were constrained and we actually could only access only 43% in October, 45% in November. And that is all about recovery of Syncrude production.

So it's pretty hard to give you a rule of thumb around that, but needless to say, the Whiting investment was done at sort of mid-teens in terms of the assumptions around heavy versus WTI. So something around $14, $15, $16 is what we've assumed in the economics, back when the oil price was down at sort of $50, $60. We've seen differentials significantly higher than that, but we have no specific rule of thumb that we can give you, other than the sort of raw calculation you can do of, you know, $1 a barrel across the refining margin may give you certain uplift. And I think people have tried to come up with estimates about it in the past. But we have nothing that we can sort of stand behind as a rule of thumb, because there were so many other moving parts in the slate of the refinery and what the products looked like, to really give you anything which would be helpful in terms of those calculations.

Jason Kenney: Okay. I mean, it is a great result in the third quarter. Do you think the fourth quarter could be similarly stunning?

Brian Gilvary: I think third quarter in Downstream, you had supply and trading coming back to an average quarter, from what was a small loss in the second quarter, and you had high availability which allowed us to capture those high refining margins. So really, it's about, if the kit is working – remember we're right in the middle of the turnaround with Whiting today – if the kit is back running at the sort of levels we saw in the third quarter – but I think, you know, sustaining 96% availability, from my humble experience of Refining and Marketing over 30-odd years, that's a pretty tough measure to sustain. The guys will try and do that in the fourth quarter, but I don't think you'll necessarily see that repeat into the fourth quarter.

Jason Kenney: Okay. Thanks very much.

Craig Marshall: I think, Jason, just to add to what Brian said as well, we obviously talked in the second quarter about the Whiting refinery being a seven-week turnaround. That kicked off around the middle September, so clearly is weighted more towards the fourth quarter events. So in terms of capturing the differential, clearly the team there worked hard to do so. But there's heavy weighting in that turnaround in the fourth quarter, expected probably to end around mid-November[1].

Jason Kenney: Okay. Thanks.

Michele Della Vigna (Goldman Sachs): Thank you for taking my question and congratulations on the strong result. I was wondering whether the improved tax guidance for this year to below 40% is sustainable in the coming years, as well, in a similar oil price environment? And secondly, I was wondering if you could give us an update on the remaining Macondo business and economic loss claims. Thank you.

Brian Gilvary: Yeah, so Michele, tax, we've said this year, over 40%. We've steadily moved that down. Now we're saying below 40. It is purely a function of the portfolio mix that we have today, and, as we get stronger earnings out of Rosneft, because those earnings come through on a post-tax basis, that will reduce the overall underlying effective tax rates. So obviously, the higher the Rosneft number, that will weigh down – that will be a contributing factor towards a lower effective tax rate.

But it's really about mix, and the mix of barrels and where the production's coming from. You know, we haven't set guidance yet for next year. We'll go through and do a portfolio assessment. We'll look at an oil price planning assumption for the 12-month period for next year, and then we'll come up with a tax rate. I don't think it's going to be wildly different from the 40%. We're probably going to be still over 40% for next year, but we'll come back with guidance on that as part of the Q4 results.

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[1] Incorrectly stated on webcast as "mid to end November". Transcript corrected to "mid-November" (as correctly stated on page 13).

And then, on Macondo, in terms of the liabilities, we are down to the final series of claims. The majority, I mean the vast majority of which have now been processed. But there is a process with the plaintiff steering committee court supervised settlement fund that allows claimants that have been denied to resubmit. And they'll be in either one, two or the third cycle of resubmissions. But we're now in the sort of *de minimis* and this is probably one of the quietest quarters that we've had around the Macondo BEL claims for this quarter. I think we're round about $50 million is what we've taken through in terms of provision, but we are in the final – I could say 22 claims, but then there's a recycle effect that takes that number to 200. But you know, there's a series of claims that have been denied and get recycled in the system. And they are under divisional settlements.

But we're sort of in the *de minimis* end legal game now of whatever is now left on appeal and, then, we'll fight those appeals through the fifth circuit and the court of justice appropriately going forward, which is what we have been doing up to this point in time.

Michele Della Vigna: Thank you.

Lydia Rainforth (Barclays): Thanks and good morning. Two questions, if I could. The first one on the Upstream side. And given what was pretty flat production quarter on quarter and pretty flat prices, there was quite a big uplift in the profit there. Can you just talk through a little bit more detail around the drivers behind that?

And then, the second one, just on the divestments, it has seemed relatively quiet on the divestment front. So just, I mean, what's the confidence you can give us around that $5-6 billion and should we think about it being more back-end loaded towards next year? Thank you.

Brian Gilvary: Thanks, Lydia. In terms of looking at Upstream earnings and what was driving it, the majority piece of this was actually obviously off the back of the oil price as realisations, and its realisations more than price improved that is a big lion's share of what we've seen come through. But something round about the same sort of level, but just below that, is higher sales volumes, particularly coming out of Angola and the North Sea, have been the big drivers. Because obviously these higher prices, some of those regimes, particularly in the North Sea, highly leveraged to earnings at the higher price. So that's the basic driver, but it's basically, one of high reliability – we're up over 95% for Upstream across the piece this quarter. We had the production growth coming through, underlying this quarter's 7%. 6.8%. And underlying production growth now for the year of about 10%. So you know, Bernard and the team are delivering against what they said they were going to be delivering against, and we had the extra benefit coming this year of particularly Thunderhorse and Western Flank B coming on stream ahead of where we had them planned for next year and significantly below budget. So, I think all of those things have helped with the momentum that you've seen coming through earnings, but I think it's really about having the kit running reliably that has allowed us to capture those higher prices and get those stronger net backs.

On divestment, in terms of this year's programme of over $3 billion, it is completely back-end loaded this year, as it was last year. And you'll recall, last year the divestment proceeds of round about $4.5 billion, with $3.5 billion coming through in the fourth quarter. It's going to be similar this year I think. So far, year-to-date we're around $0.4-0.5 billion in the first three quarters. We expect to deliver over $3 billion by the end of the year. It's all going to be sort of Q4, when they will come, just like last year.

And then, the $5-6 billion programme is predominantly Lower 48. We've certainly announced internally with the teams what those assets look like – a lot of the legacy historic assets we had. Quite gassy in nature across the piece, but on all cases, we're confident in terms of the potential buyer spectrum we have available out there, I mean especially given this particular basin. So we're confident about getting those away and we'd expect to get the first tranche of those away next year and we would not expect them to necessarily with this particular tranche, be back-end loaded.

I mean, we've had time to get these ready. We've got the data rooms prepared. We are going out to market. So we'd anticipate that you'd start to see the first tranche of those divestments done next year. They may well be at the end of the year, but I suspect – coming into this year, we knew it was going to be back-end loaded and we sort of told you that at the start of the year. In this case, I think we'll see what the market looks like as we get out to the market on the $5-6 billion. And the first tranche – it won't be $5-6 billion next year, it'll be over a two-to-three-year period. But the first tranche we expect to get away next year. We'll be able to let you know how that goes, probably into the second quarter, third quarter next year.

Lydia Rainforth: Wonderful. Thank you.

Thomas Adolff (Credit Suisse): Morning. And congrats on the strong results, as well. Two questions for me. Firstly, on your CAPEX guidance. Now, I'm quoting one of your peers. Equinor said $11 billion is a good medium-term number based on today's cost index and, if you go beyond that, it would overstretch the organisation and impact on project execution. So, I wonder in the case of BP would you say, if you go above $17 billion, it would overstretch the organisation? I know you want to stay in the $15-17 billion range, but I want to understand whether that's also the sweet spot, organisationally.

And then secondly, in terms of LNG and FID's, I wonder if you could give an update on Tortue FLNG. What's still missing? Will BP be the sole offtaker, has the development plan been approved? And when exactly do you expect to take FID? Thank you.

Brian Gilvary: Thank you, Thomas. And so, what I would describe in terms of the $15-17 billion is, that is a range which has a huge amount of flex – $2 billion is a huge amount of money in terms of flexibility and what we can do. And certainly, as we've seen deflation continue to come through this year – surprisingly so, given where oil prices are – we are still seeing, I think, technology driving a lot of deflation. But you know, we're now saying $15 billion for this year. I think at the start of the year we're expecting to be close to the middle part of that range of $15-17 billion. So we're down at $15 billion. We have a huge amount of capacity that Bernard and his team have created, particularly in the Upstream, to absorb BHP and be able to ramp the drilling programme up as we go into next year. And, you know, we're going to start that process in the fourth quarter, probably around Eagle Ford. And maybe just touching Permian, but we're not certain on that yet. But certainly in terms of Eagle Ford.

So I think we have flexibility within the programme. In terms of the organisation, the size of the organisation, you know, we moved to a central projects functional group many years ago, back in 2009. That has really come to fruition in the last three or four years as Bernard's got that team humming in terms of rhythm. And I would describe a rhythm that you start to get into with an organisation, of delivering projects every 6-9 months and coming on stream. You learn from all the things that you learn from the previous project and you take those learnings and move it on to the next project. Rather than a sort of stop/start, or a deployed organisation, where you're having to re-learn the things going forward. I think that's why you're seeing the advancement of Thunder Horse this year, Western Flank B, why those projects have come on stream earlier is really about understanding the rhythm of what we've learned from other projects.

So I wouldn't necessarily describe the capacity of our organisation around a specific capital number. It's more about activity. And last year, I think Bernard was on record as saying, , I think we got up to the most man-hours we've ever deployed in any one year, on the series of projects we had that came on stream last year. We were probably at the top-end of comfort in terms of bringing those projects on, which the team did a phenomenal job of doing. So, we're pretty comfortable where we are today. We're in that rhythm of bringing projects on and we will sort of see how that progresses going forward. But we're not in a place where we're going to move off the $15-17 billion band right now. So. it's a bit of a moot point.

And, you know, just to reiterate, we will bring the BHP transaction in and we will live within the $15-17 billion frame and that will allow us to ramp capital up in the Lower 48, where it's the one place where you can ramp activity up quickly, as certainly what we've learned from our own business of running our old legacy assets.

In terms of the Tortue project, the project entered FEED in April 2018 and we're still targeting FID by the end of 2018 and first gas in 2022. It– the project, we're targeting a first phase of about 2.5 million tonnes per annum and then, we've got a further second phase to test up to a further 10 million tonnes per annum. But we've got nothing left to update on that. We still expect FID this year and I'm sure Bernard will have some more to talk about that in December, at the Investor Day in Oman.

Thomas Adolff: Thank you, sir.

Brian Gilvary: Thanks, Thomas.

Craig Marshall: We'll next go to Rob West at Redburn. Rob?

Rob West (Redburn): Hi, thank you very much. I'd like to start on production. I don't know where other people were in the quarter, but the production number was a little bit below what I had in, flat year-on-year. And really, Brian, I'd be interested if you could sort of check some exuberance that results from that, because I'm looking at the trajectory of growth that's still to come; so, you know, ramping Shah Deniz Ph 2 further, the start-ups, like Clair and West Nile Delta.

And I'm wondering, should I look at this quarter as, you know, based at – you're actually going to get quite a lot of growth from that baseline? Or should I look at it is there something in – you know, in this quarter that is a negative in terms of the production that might continue going forwards. So that – that was the first question.

And the second one is just − I'd just like to go back to the timing of divestments, the $3 billion that you've alluded to in your comments this morning. I think so far, year-to-date, the run rate of divestments coming through is under $500 million. And so, my question is just in terms of the settlement of that $3 billion, you know, how – can you just say how much more of that is expected this year or, you know, is it just announcing the transactions that you're aiming to do before year-end? Thank you.

Brian Gilvary: Yes, let me just pick up the second part of that question, because it's very straightforward. I mean, we – just like last year, we will announce – basically, effectively last year we had $4.5 billion of disposals. $3.5 billion of proceeds came in the fourth quarter. We'll have exactly the same this year. It won't be that level, but it will be – overall, it'll be over $3 billion for the year, which is what we've indicated. We would still expect to be over $3billion and we'll be looking to close a series of transactions in the fourth quarter that will get us over that figure. So, that's pretty well underpinned and we did say at the start of this year it's a mirror of last year, precisely the same. We said it would be back-end loaded. It is back-end loaded and, so, there's no changes in terms of that. So it's exactly the same pattern that you saw last year.

And in terms of the –

Rob West: And that's – that's firm?

Brian Gilvary: I said we still expect. I can't be firm-firm, because that would be giving you guidance which I wouldn't be able to do, since it's the function of closing transactions.

Rob West: Okay. Okay.

Brian Gilvary: But we – we've indicated in all of our materials there that we still expect to be over $3 billion for the year. If we didn't think we could deliver in the fourth quarter, we would have told you that. So – so, it's not –

Rob West: Got it.

Brian Gilvary: But I can't – I can't be firm-firm, because it's a function of what I will get to announce through when the fourth quarter gets closed. So things can always slip into January. That's always possible, but right now our expectation is we will have over $3 billion of divestments by the end of this year.

Then, in terms of production, I think maybe we go back to guidance and what we've told you before. If you take out the portfolio impacts of ADNOC, PAE, so the PAE transaction true-up, and AGT. So you take those things out the ADMA concession, which was in there last year, but wasn't there this year. It's significantly over 100,000 barrels a day of production that we had last year that we no longer have, because it's no longer in the portfolio. So if you actually adjust for that, I think you'll see close to 7% underlying growth this quarter.

And then, we've signalled to you for 4Q, is that BHP transaction comes in that will be additional portfolio volume that will come into the mix. So actually, we're seeing on an underlying basis, if you strip out the portfolio that's been divested or has come out of the base business, actually quite significant growth this year to the tune of about 10% underlying year-to-date.

Rob West: Got it, thank you.

Craig Marshall: Okay, Rob, thanks for the question. We'll next go to Alastair Syme at Citi. Alastair.

Alastair Syme (Citi): Hi. Thanks Craig. Thanks for the opportunity. Can you just – Brian, can you just update on the impact of IFRS 16 as you see it? And will you revise the gearing band or will you look to absorb it? And secondly, can you maybe give us a little bit of an update on the roadmap around the Downstream free cash target towards $9-10 billion by 2021? If I'm right, we're running at about $6 billion over the trailing 12 months. Thank you.

Brian Gilvary: Great, thanks Alastair. So on IFRS 16, there will be an awful lot of moving parts associated with that particular accounting standard. And I think, while it was intended as a standard to give clarity around the extended debt book, of course it will move pretty much a lot of the lines of the P&L and balance sheet as a consequence. So it's going to be a little bit noisy for you all and what we will do at the end of this year as part of 4Q, we'll give you a true-up of how it impacts each of the individual lines of the P&L and balance sheet. But it's going to affect a lot. We will basically present all of the information on the pre-IFRS 16 and post-IFRS 16 basis, so at least you get clean line of sight and transparency on what's moving. We haven't made any decisions yet whether or not we will end up with a gearing on the old basis, i.e. because it's a non-GAAP measure we can define it however we think is appropriate in terms of our financial frame.

But probably the most important thing about IFRS 16 in terms of the original intent is, our cash cover ratio is unaffected by IFRS 16. The rating agencies already use extended debt in their calculations of cash cover ratio. So leases are already part of the extended debt book, so it will have no impact from a rating agency perspective. But it will create a lot of noise and clunkiness around each of the individual lines of the P&L and balance sheet. But we'll give you a very clear route map of what that looks like.

And then in terms of – is that okay, Alastair?

Alastair Syme: Yes, that's perfect, thanks Brian.

Brian Gilvary: Okay. And then, in terms of the target of $9-10 billion, I'll wait till we get to the end of this year; but against that target, I think we are close to $7 billion delivered with a further $2-3 billion to come. But on track with the targets in the way in which Tufan laid that out, out to 2021.

Alastair Syme: Well, do you figure it will be quite linear to 2021, Brian, or do you think it will step-change?

Brian Gilvary: I think, in the current market, what I will guarantee you is it will not come firstly along the lines of which we've planned it. That's the one thing we've learned about the last seven quarters, because it will be a function of however oil price or other factors are doing at the time. But that – what I think you've seen Tufan and his team create in the Downstream is a huge amount of resilience to deal with various economic factors that may impact that business. And I think, you know, the biggest one of those was the way in which Tufan and the team have been able to neutralise the volatility of refining margins in their base business.

So we could lay a plan out for you, I will guarantee we will not follow the exact quarter-by-quarter trend of that plan, but I think what Tufan has created is a huge amount of optionality within this portfolio to manage that, and therefore we have confidence around its delivery.

Alastair Syme: Can I just clarify, do you think that the macro environment, the trailing 12 months, as you have presented it, are what you envisage for 2021, and that target?

Brian Gilvary: No, I think we already know we're in a very different environment, because originally the whole environment we set for all the targets is around $55 a barrel, real. Now the Upstream we'll take benefits from that, in terms of the additional free cash flow we get from where the prices are today. We've got, I think I mentioned earlier, volumes, I don't know if it's a broken record, but volumes are back below the five-year average, or certainly close to the five-year average, both on a macro global economic basis and within the United States. So I think certainly oil prices are pretty well underpinned above $70 a barrel for the next six-month period or so. Or at least we can't see anything which would majorly move those out of kilter with that. There may actually be some movements to the upside, but I think at plus or minus $10 a barrel is pretty tough to call it.

By the time we get to 2021, I think yes, there's a lot of things that could unwind, but I see more production coming on from Lower 48. You may see some softening of demand, although we're not seeing major demand side correction at moment if prices stay very high. But I think, in terms of the Downstream, we're seeing benefits right now, big light-heavy spreads that we're seeing with Canadian crude coming into Whiting refinery, which can take up to 320,000 barrels a day of heavy crude. It's clearly not at those sort levels, given curtailment issues.

So what I would say, Alastair, is, look, we have created a portfolio now which has a huge amount of optionality around that portfolio, so we're pretty confident with the targets we have laid out for you for 2021. We just may not end up delivering in the same way that they were originally envisaged back in the start of last year, and we have already seen that through the first seven quarters.

Alastair Syme: Alright, thank you very much.

Henry Tarr (Berenberg): Hi there and thanks for taking my questions. Firstly, looking at new FIDs, have there been any changes to the strategy in terms of contracting, so you're looking to sort of lock in low-cost, for example, or do you see sort of no reason to do this today? And then, in terms of the portfolio, assuming that oil prices remain firm, gearing comes lower over the coming quarters, if you have some flexibility there, where would you – and maybe this is a longer-dated question − but where would you be looking to add to the portfolio, should the opportunity arise?

Brian Gilvary: That's great, thank you Henry, that's a good question on the optionalities. So in terms of FIDs, I think we have done five this year, from memory - Oman, a couple in the North Sea, India and Angola. I think what the organisation has created now with Bernard's leadership and the executive team, is a lot of our contracts are long-term anyway. So a lot of our rig contracts will be on a sort of five-to-seven-year basis, on a rolling basis, so we have already been able to capture some of those lower rates, and we're certainly not seeing any inflation on the rig rate side right now. So I think we look to contract and procure activity on a central basis across the suite of projects, and we'll look to optimise across that piece; and that's the whole purpose of this sort of central projects group and central procurement groups within the Upstream and do those things. So I think we have already got locked in, contractually, a lot of activity associated with some of these projects, that's sort of point one.

And then, in terms of opportunity set –I think we announced in September we've acquired a licence in the Santos Basin and that will be an example of the sort of step out for us, where we do think there's a huge opportunity for us, in a country like Brazil, where we've seen some major economic reform or progressive reform over the last two or three years, and we have a great partner there, Petrobras, that we're working with. So that would be an example of the sort of areas where we'd look to be stepping out and sort of increasing, but within the $15-17 billion frame that we have already laid out. And maybe just building on that, you will have seen already this year, we've had new access in licensing around in Santos Basin, also US Gulf of Mexico, our traditional backyard, Mexico, the North Sea, another one of our traditional backyards, and Azerbaijan, so – but that's all within the $15-17 billion frame.

Henry Tarr: Okay, and just one quick follow-up, then. With oil prices where they are now, are you seeing a greater emphasis, then, on exploration rather than acquiring barrels at this point in the cycle?

Brian Gilvary: I think it's a mix. I mean, you know, you always want to be able to find oil with your own drill bit, or you know, through exploration, that's always the primary focus, because ultimately, it would be the lowest cost rate to access resources. Equally, if you look at what we have just done in Lower 48, I think we have bought a very premium position, which we will definitely enhance value around. And the more that we see of those assets, we can see that. So I think it's going to be a mix going forward. But, obviously, we'd always like to sort of find oil discovered resources through the drill bit.

Henry Tarr: Thanks, that's great.

Jon Rigby (UBS): Yeah, hi, good morning, Brian. Two quick questions on – one on disposal. So, if I'm right, I think you count the Conoco transaction as a disposal, so am I right in thinking that sort of net cash in through the fourth quarter, despite the gross disposal numbers, is not likely to be that significant, in which case, am I also right in thinking that disposals next year will be sort of an aggregation of that that's linked to BHP, plus − I guess you probably want to continue to pursue the $3 billion ongoing disposal plan, as well, so probably closer to $8-10 for 2019.

And then just secondly, linked to that, but sort of more philosophically, I think you keep talking about your 20% to 30% band, but it seems to me that, over the last couple of years, BP has been you know, wanting to be opportunistic in making acquisitions of assets and so on. And I am aware, you know, the Abu Dhabi transaction, you issued stock, this one you, almost did and then have chosen not to, because of the complexity and the value and I completely agree with the decision you made on that. But wouldn't it be better, all things equal, for BP to be running at 20% or lower, so that you can do these kind of transactions in a fairly straightforward way, you just turn over your cheque book and pay for it and go home again?

Brian Gilvary: Yeah, you know, I think one of the things, Jon, I think we all need to reflect on, it sort of helps a little bit, in terms of catching why we are where we are in that gearing band. First of all, 20% to 30% gives you a huge amount of flexibility. That's a big billion-dollar number that you have in terms of flexibility. We sit towards the top of that band, of course, because, unlike other players in this sector, we've had somewhere close − by the end of this year, we'll be over $14 billion of cash that has flowed out as part of the Macondo, various Macondo settlements, and that stays with us at $2 billion next year, then $1 billion a year after that, it's the guidance we have given you.

So, if you correct for that $14 billion, of course, you would be down at the sort of bottom end of the range, and so I think you have to recognise that. We will pursue deals which are – will be opportunistic, strategic, and we will look at the financial frame and where we are within the financial frame. The financial frame has given us huge discipline over the last 30 years; we have run at a very similar frame. It allowed us to manage the $67 billion Macondo liabilities over 2010, to where we are today. It has allowed us to manage the oil price correction, which we came into at about 13% gearing, if you remember when the oil price went from $110 a barrel down to $28 a barrel, and it has allowed us to go through that corrective phase, and it allowed us to actually come out and do the BHP transaction. And when we announced that at the beginning of July, we have now had four months of oil prices in a much firmer bandwidth.

So one is, 30% gearing is not that large a number for a company of our size and scale. It will naturally come down, but not because we're targeting it to come down. It will naturally come down within the frame we've set, because we've got capital set at $15-17 billion. We know about the $5 billion to $6 billion disposals around BHP, so think about it as being $10.5 billion going out to acquire those assets, premium positions, and then $5-6 billion coming back in. So it's only really a net $5 billion transaction for the company. And when you think about it in those terms, then the gearing can go up, and it will naturally drift back down to the middle part of the band. As oil prices stay up over $50 a barrel, we will be surplus free cash as we go into 2020, and 2021. And, of course, we have said our breakeven goes down to $35 -40 a barrel by the end of 2021, unless we chose to distribute to shareholders. And you saw the signal that we did again within the financial frame to be able to increase the dividend in the second quarter, by a quarter cent.

So we don't have an objective function on gearing right now. It will naturally come down within the frame that we have set, and we have been able to absorb a gross $10.5 billion or net $5 billion transaction in the middle of all of that. So that's the way we sort of think about it. But I agree with you, clearly the lower you're geared, that creates more of, in your words, firepower to do potentially other things. But we're pretty happy with the portfolio we have got. I think BHP is a huge opportunity for us in terms of accessing those premium positions.

On the disposal proceeds, yes, it does include the Conoco swap that we talked about, which should close in the fourth quarter, and then, of course, there are proceeds, cash proceeds, over and above that transaction. We do have one deal which is relatively significant, which will likely now slip into the first quarter of next year. So when we set the targets of over $3 billion, the total packages that we were looking at were significantly above $3 billion, but right now we're still confident that we will deliver over $3 billion by the end of the year.

In terms of next year, we haven't actually set a target yet, but you should assume for next year it will be a tranche of the $5-6 billion, plus the usual $2-3 billion churn that we have every year within the portfolio.

Jon Rigby: Okay, thank you.

Lucas Herman (Deutsche Bank): Thanks very much and, Brian, good morning. Couple of project questions or one project question, if I might, and then just a further question on Whiting. Brian, I just thought if you could update on Shah Deniz and, you know, how the production profile and the ramp is going, and, similarly, Clair, you know, how you expect the ramp to proceed as we go into 2018?

And, secondly, on Whiting, I'm just conscious that, in 2014-15, last time, Whiting was down; you know, the impact on quarterly results in the Americas business was pretty significant and pretty disappointing. I'm not expecting disappointment again, but I just wonder whether you can give us some better indication of the contribution that you expect Whiting's downtime to have? It wasn't the best phrased question –

– how much might Whiting give up relative to a normal quarter, what should we be expecting rather than being shocked?

Brian Gilvary: I think that will be really difficult, Lucas, but I think I'll pass that question to Craig. I'll talk about projects. Shah Deniz start-up end of June 2018. I think, you know, Bernard's taken you through this before, the 26 development wells; we have two offshore platforms; we have about 500 kilometres, from memory, of subsea pipelines; the Sangachal onshore processing and compression facilities are all new, and, of course, that gives the big expansion to the South Caucasus pipeline. Total peak production is expected to be 310,000 barrels a day and everything is going well with that project as far as I know. And you'll get a lot more detail on that in December, when Bernard takes you through where we are with this year's project suite and what the future looks like.

Clair Ridge, we'll still on track for 4Q. We are almost complete and ready to commission. We have got new facilities, we have two bridge-linked platforms on that development. It's a completely new development with some brownfield modifications around the original Clair Phase One and the Sullom Voe terminal. It'll have 110,000 barrels of peak production. But, we're right into the, sort of, winter now in the North Sea, so I don't think there are any guarantees. We expect it to start up in the fourth quarter of 2018, but as we get into the, sort of, weather patterns of the North Sea between now and the end of the year, I really couldn't say and we couldn't call it that closely. But, right now, all things being equal, we'd expect it to come onstream in the fourth quarter, weather permitting.

Craig − on Whiting, I've got no idea what sort of guidance I guard you as to give, you know, anything specific in the way of numbers, but at least you can talk around the turnaround, so at least give a sense of the amount of weeks it will be out.

Craig Marshall: Yeah. So just repeating a little bit of what we talked about earlier. So the Whiting turnaround started around the middle of September. It's forecast to go through to around the middle of November. If you remember, Lucas, Whiting has around 400,000 barrel-a-day of capacity. It can run up to, and probably slightly above, 80% heavy crude. You've seen the heavy crude differentials this quarter running at around $24 dollars a barrel and, actually, spot-wise higher than that, but obviously apportioned according to Enbridge pipeline nominations. So I think it's a matter of getting your calculator out, Lucas, and probably doing a bit of back-of-the-envelope stuff.

But it is a significant turnaround, it is for a duration of, as I say, around six or seven weeks. We're clearly playing into a Refining Marker Margin, that's leveraged to Canadian crude, and we're accessing, or rather, in the case of the turnaround, limited in terms of access to the differential.

So, yeah, that's probably about as much as we can say on Whiting, but it'll clearly have an impact in the fourth quarter.

Lucas Herman: All right, Craig, thanks. And, Brian, sorry, just coming back to Shah Deniz, can you give any indication of what production was through this quarter, net to BP?

Brian Gilvary: No, we wouldn't normally give you specifics by asset, we wouldn't normally, sort of, do that on an asset-basis, but I think you'll get more of a sense of that at the Oman Investor Day in December.

Lucas Herman: Alright, thanks very much.

Thomas Klein (RBC): Well, just a quick one from me, thanks. On divestments, which have been discussed a few times, just wondering if you'd be willing to sell down your stake in Aker BP to hit your targets, given it's performed well since its original formation? Thanks.

Brian Gilvary: We would definitely not comment on any specific asset. But equally, while I wouldn't comment, I would say Aker BP has been one of those innovative investments we have made, to take what we had at the time a late-life asset in terms of our own position, go and join with partners that we trust and know well and we have a long-term relationship with. And I think what that has created is a huge amount of value for its shareholder base and for BP.

So, I can only say positive things about Aker BP, but, it certainly wouldn't be from a personal basis, something that we would look at – but we never say never with any assets. But Aker BP has been a great investment, but it certainly wouldn't be one that we would be looking to sell.

And, actually, to be clear, we don't have any deficit to make up on the disposal programme. We have a – typically, a disposal suite of assets that would be non-strategic, in terms of long-term hold position, or things which we believe would be more value in the hands of others – Aker BP wouldn't fall into either of those. So, no, we're very happy with the Aker BP investment.

Thomas Klein: Okay. Thank you.

Jason Gammel (Jefferies): Thanks very much, Craig. Two on Whiting, if I could please. You did make reference to this being a pretty major turnaround. My understanding is it involves at least the coker and the larger CDU. So, my question is, does this leave you well-positioned to really not have to do much in terms of taking Whiting down during 2019-2020, when a high-conversion, high middle distillate yield refinery could be getting some pretty significant advantages from the IMO rules?

And then, the second question is, you've referenced that you've been under apportionment on delivery of WCS because of the Enbridge line. Do you have any line-of-sight into when you might be able to get back to your full nominations? And, if not, is there any potential for using rail to access incremental WCS?

Brian Gilvary: Yes, I think on the later part, as new infrastructure comes in place, new pipelines comes in place; those constraint issues that lead to apportionment today, they will start to ease. But I don't think that's going to happen in the short-term, that's more of a medium-, long-term remedy.

In terms of the refinery turnaround, it's got the crude unit, the coker unit, and the sulfur treatment units are out, and they are being done on the usual routine that we would expect on any maintenance plan. I'd be very surprised if we're going to come back and redo those again in 2019 – that's highly unlikely. Because the typical maintenance schedules that we look at are on a two, to three to five-year basis, so I don't think that will come back into play next year. And you're right, that means that we will be geared-up, and have been geared-up – and have been now for about the past 18 months to two years preparing for the new standards that come through in 2019, back-end of 2019, which will be a huge opportunity for everybody.

Jason Gammel: Thanks.

Craig Marshall: Okay, thank you Jason. That's the end of the questions. Let me just – let me hand over to Brian for a couple of closing comments. Thank you.

Brian Gilvary: Great. Thanks, Craig, and thanks for all your patience today and the suite of questions. This is another quarter, the seventh quarter, of the twenty quarter strategy that we laid out for you back at the start of last year. I think at the heart of everything that you've seen today in terms of the results is safe and reliable operations. When the operations are safe and reliable, it means that you are able to take advantage of the price environment that you find yourself in, and I think we did that through the third quarter and we will continue to focus on that on a point-forward basis.

We're looking forward to seeing everybody at the Oman Investor Day, we have a very big turnout coming for that. We'll give you a little bit more insight on what the future of the company looks like out beyond 2021, and some of the big things going on in the modernisation and technology space, which is changing a lot of what we're doing inside the company and is underpinning the results that you saw today.

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