bp week

Day One Q&A

Webcast Transcript

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Q&A TRANSCRIPT

Bernard Looney: Well, hi everyone. And welcome back. Thanks for being with us. I think we had about, I was told, 12,000 people. They always tell me a few more people than we have, but hopefully we had about 12,000 people. So, hopefully we have many of you still online. So thanks for being with us for the afternoon. I always learn something. I hope you learned something listening to the team and it is now your turn to ask some questions. So there has been tons and tons, hundreds of questions come in, and they are coming up in front of us here. The team has been trying to sort through them. So I think we will just get going.

So I have got Murray and I have got Kerry and I have got Giulia. So the first question is from Singapore. It is from Alan Chan and Alan asks, how does bp leverage scenario planning and setting its new strategy? And does bp now assume a base case that is aligned or more aligned with achieving the Paris agreement goals? Giulia, you are probably the best person to answer that.

Giulia Chierchia: Great. Thank you, Bernard. And thank you Alan, for the question. It is a great question. As Spencer has said we have laid out earlier today, four critical scenarios and we do not believe any of those scenarios to be the correct scenario, within the frame of a multitude of potential outcomes. These scenarios help us to identify, if you wish, a possible set of outcomes and identify six core beliefs, which we presented in August and that we think holds true across scenarios. So, our strategy is built on those core beliefs and, therefore, as a strategy that allows us to be resilient across scenarios.

So, to the question, no, we do not assume a base case, but we believe our strategy is indeed consistent with Paris because it builds on our ten aims. And we believe that those ten aims together set us on a path which is consistent with Paris because it advances us towards decarbonisation. It basically sets us in the world, which is resilient to a price environment, which is consistent with Paris. And thirdly, it contributes to the world getting to net zero through aims five to ten.

Bernard Looney: Great. So we are all in, I think, and we are resilient to a Business as Usual scenario, but we are very much all in to the transition and into Paris. I would love to be an economist, I think, when I come back the next time. Spencer lays out four scenarios and then he says they are all wrong. I never got away with that in school, but maybe next time around, Murray, that might be our next career choice.

So, Oswald Clint, very nice to hear from you. Oz is a renowned analyst, I would say, with Bernstein here in London. Oz's question is that 74% of business transformations fail and that is a McKinsey statistic. So as we have talked about re-imagining and reinventing bp, does the bp plan have the elements needed to land in 26% of the success business transformation cases? And of course, Giulia joined us from McKinsey. So Giulia, you may have a thought on that and maybe anyone else who wants to add as well.

Giulia Chierchia: So yes, thank you, Oswald. It is actually a pleasure to now be trying to implement the success factors to get into that 26% versus actually advising companies as to how to do it. It is true, the statistic is true. And what we see is that you need to have three critical elements to actually get into that 26%. The first one is clear objectives to set the path and the direction you are moving into. And we have laid out our 2025 targets. We have laid out our 2030 aims, and we clearly have an ambition as to where we are heading to.

The second dimension is very much around all, if you wish, the soft elements. So leadership role modelling, culture, organisational transformation, and Kerry will talk to that in a second - I would invite you Kerry to actually comment on that, because you are much of an expert than I am on that one.

And the third element for a successful transformation is what we used to call in my previous life, relentless execution. So literally having the machine that tracks and drives execution towards those objectives. And again, I think we are pretty much set in having that machine and that drive.

So Kerry, anything to say on the cultural elements?

Kerry Dryburgh: Thanks, Giulia. And I would just add, the way I think about it is the difference between the what and the how. And when I was talking earlier, I talked about the capabilities that we are building for the future, but that not necessarily being the secret to what I believe our success will be. And so for me, it is really down to that right environment and leadership ultimately. So the way I think about it and we are thinking about it is creating the right conditions. So whether that is integration, agility, diversity, but fundamentally it is about our people and our leaders really living that change. And also, being focused on our purpose and ambition, which I think will guide us in everything we do.

So for me, it is about creating that right environment and our leadership that will enable that right throughout the organisation.

Bernard Looney: And I think, just adding a little bit to that, you talked about setting direction, Giulia. Somebody said to me recently, they said, well, nobody can be under any illusion about whether you are going to try and change bp. So I do think that is very much there. And the other thing, Oswald, I do not know about the 74% that failed necessarily - but I do think there is something about this unique combination of having to change and wanting to change. And, I think that has come together in bp in a very powerful way. I think we recognise the challenges that are out there. We recognise the issues that are going on in the world and therefore we feel a certain sense of having to change.

And at the same time we really want to change and I can assure you that we intend to be in that 26% category. And we have talked a lot about execution was Giulia's third point. And there was a theme inside the company at the moment, and you will hopefully see it a little bit during the week, which is - there has been a lot of excitement in the last several months about what we are doing and so on and so forth. A lot of questions obviously, but a lot of excitement. And I think the theme now Oz, is that we need to move from excitement to execution and it is now about executing that plan and that is what we will do. So thanks for the question.

The next question is from Rashmi Mukherjee. And Rashmi you ask, what are your top people priorities in the post-COVID world? And Kerry, maybe you are the best person as our Head of People and Culture to take Rashmi's question.

Kerry Dryburgh: Well, thanks, Rashmi. And certainly the COVID experience that we are all still living every single day actually brings our people priorities more than anything to the fore. So for us, clearly reinventing bp is the biggest transformation our company has undertaken in the last 100 years of our existence. So the number one priority really has to be making sure that we complete that well, and that we recognise the anxiety that also places on our people as we go through this huge sense of change. So executing that well and minimising anxiety and really making sure that we are as respectful to our people through that process as we can be is really number one for me.

I would relate to that also our focus on safety, which needs to continue, as you would expect, but also the wellbeing of our people. So through this change, being really mindful of people's wellbeing and just looking out for each other is really critical to us too.

And then finally, I would just add that post COVID as we think about a new normal, how do we think about returning to the office for those who are office-based, and how do we think about getting back to operations as we know it. And yet we know that the world will never be the same again. So we have to really take what we can to learn from that experience, whether that is flexibility, whether it is how people come to work, or indeed just how we all work and collaborate together in the future. And for me, it is really learning from that and making sure that we do not lose the benefits as we go forward as well.

Bernard Looney: That is great, Kerry, and I think to Rashmi's question, I think in full transparency, I talk about a lot of excitement inside the company, but equally there is a lot of angst and there is angst probably inside of every company in the world. But you have got COVID - we have got people's personal lives being impacted by COVID. We have got a transformational change going on. We have announced layoffs of up to 10,000 people - so you have people wondering if they're going to have a job or not, people being selected in, people leaving every day. - Great people are leaving the company.

So it is a difficult time inside the company. And at the same time, we are doing a lot of things that are exciting and we have to manage this message carefully because on the one hand you do not want to appear to be tone deaf - i.e. not really understanding. We talk about empathy in Kerry's presentation - do we understand what's happening? And at the same time, we have to give the many, many people who are staying the sense of hope and ambition for the future.

So it is a difficult challenge, I think, for the organisation and for us to lead them in a way that gives the level of empathy, Kerry, that I think that we believe in. But it is something that we are working through and we are just hoping to get through and will get through to change in the organisation predominantly by the end of the year and hopefully bring in a new year next year.

So thanks for your question. The next question is from Nico Duursema. Nico is in Canada. Nico, thank you so much for joining and for being interested. Changing the strategy and makeup of a large organisation requires a culture change. How did the executive team plan to implement culture change and ensure sustainable culture change happens quickly enough in the next few years? Kerry, again, the Head of People and Culture, you have got some thoughts on that.

Kerry Dryburgh: Well, I have, and I have talked about some of these earlier. So I think there are a few things here for me. First of all, it is about creating the right environment, and we have started that with the work that we are doing to reinvent the company. Whether that is creating a new integrated one bp, whether it is being more agile or our focus on diversity and inclusion - it is all of these things that come, in my mind, to make the environment that will enable our people to be the best that they can possibly be.

But I think if I take your question, Nico, and think about what is really behind it, the question you are asking me is how is that going to be successful and how are you going to sustain that change? And again, I would just go back to, we have selected a leadership cadre to lead our company. We have now selected over 700 people as we go into this restructuring; more to come. But those people will lead us. And a lot of the qualities that we selected were that those people could lead us through this change.

So that is a foundation for me and I think it is incumbent on all of the leaders in our company, as well as everyone, to make sure that we are holding ourselves to account around this. Are we giving each other feedback? Are we highlighting what is working really well, what is not? And really making sure that we bring that 'how' to life. It is not easy, culture change never is. We all know going through a change process is difficult. But I think the question for me is how do we make sure that we work with each other in service of the new ambition to make sure we bring that alive through feedback, through focus and ultimately through the leadership acts that we all live on a day-to-day basis.

Bernard Looney: And we are trying to make things a lot more real. We talk a lot about authenticity and we talk about sharing our vulnerabilities and just trying to make our time at work a bit more like real life. As opposed to some place that you come and you have to walk in the door and somehow suddenly be tough, know all the answers to everything, be at your desk, that sort of thing. When, of course, we all know that life is very messy, and more messy than ever right now. And we are just trying to, as Kerry said, select leaders and lead in a way ourselves that reflects that life is difficult. People have issues. We help each other through things. We talk about things, and I know it sounds quite soft in a way, but actually this is at the essence of culture change.

I did a LinkedIn post a couple of weeks ago on the power of, "I do not know". And we were all brought up that the leader knows the answers when the amount of pressure that puts on an individual, the way it can lead organisations in the wrong place. There is tons of things I do not know, there is tons of mistakes I might make. So we are trying to lead in a way that is, we hope, a bit more real and selecting leaders that do that.

So thanks for the question, Nico. It is a great one. The next question is from Jess Worth in the UK. And a question for Bernard. It is great to see the ambition of 40% production cuts, but can you say a bit more about why you have not included your production from your Rosneft stake in this. And it is a great question, Jess, and I appreciate it.

The simple answer is we do not control the Rosneft. We own 20% of Rosneft. So we do not control the company. And therefore, that is why we have chosen not to report its production in terms of what we would do on the 40%. We obviously have influence in Rosneft. And if we talk about their environmental performance, which I think people always ask about Rosneft and somehow you think they are asking as if Rosneft somehow does not care about their environmental performance. And the Russian people care about their environment every bit as much as people in the West. And if you look at some of the numbers for Rosneft over the past couple of years, they are absolutely fantastic. Methane emissions down, I think, 18% year-on-year, fugitive emissions down 73%[1], greenhouse gas intensity per barrel of oil and gas produced, which is actually better than many of the super majors, bp included.

They have a carbon action plan. They have reached out to us for help. We have seconded somebody in to be their climate advisor. So this is a company that cares, wants help. We do not have all the answers, but we have experience of course, and together we help them do that. So I think they are doing a great job. There is always more to do just like there is at bp but we do not account for it in the production cut because we do not control the company.

So thanks for the question, Jess. Murray, it is your turn. This is from Brian Stainrod here in the UK. How is bp going to move from oil to green energy and keep the shareholders on board?

Murray Auchincloss: Great, thanks. Good afternoon, everybody. And thanks Brian for the question. I would go back to August 4th, where we laid out an investor proposition that has three parts: committed distributions, profitable growth, and sustainable value. Our sense was we were trying to find a sweet spot with investors where diverging viewpoints exist across the investment community. Some want cash through a dividend, some want growth whether that is in earnings or returns and some want us to transition. And that is what we tried to lay out inside our investor proposition with really six key parts. One is a resilient dividend that is the first priority on cash; second where we do have excess cash flow, we have five priorities and the fifth priority is about our shareholders. Which is yes, it is intended to be a fixed dividend, but if we do have surplus cash, at least 60% of that is going to go into buybacks.

So that is about committed distributions for the shareholders that care about that. Second on profitable growth, we have we've got two targets. Compound annual growth on a per-share basis on earnings of 7-9%, which we think is exceptionally competitive. And of course, growing ROACE, return on average capital employed, growing from about 9% last year in 2019, up to 12-14% by 2025. Again, we think that is quite competitive.

And last sustainable value. We do recognise that we need to transition the company. We are trying to think of a way to recognise that through shareholders. And we talk about 20% of our capital employed by 2025 being focused on the energy transition as opposed to 2% or 3% right now.

So we think the combination of these three things is targeted at the investor. We think it is a compelling proposition. It comes in three parts to try to address concerns from different stakeholders. So that is how we are tackling that question.

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[1] 2019 versus 2018; changed from original transcript.

Bernard Looney: And there's really something there for the income investor. There is some growth there for the investor who is looking for some growth. And we believe for the sustainable investor, the ESG investor, there is something there as well. So that is how we have tried to structure it, Brian. So a great question.

The next question from John Reynolds with the *Sunday Independent* in Ireland. John, lovely to hear from you. I know John well, and it is great to see somebody from Ireland on. I think there was David Horgan on earlier in Spencer's presentation as well. So we are covering all of Ireland today, which is good. John's question is –

Murray Auchincloss: Is that the second Irish question already in this session?

Bernard Looney: There has been a few. Clever people over there. Given that the Equinor partnership is currently US focused, will there be partnerships or acquisitions to come in Europe or elsewhere?

And John, thanks. We are massively excited about the partnership with Equinor in offshore wind[2]. Equinor is a brilliant company on two dimensions. One in terms of offshore wind, they have been at it a decade. I think they are seen clearly as the top one or two in the world in offshore wind. And secondly, and really important for us and for them, there is a real alignment of values between the two companies. And we go back a long way, back to an oil and gas alliance in the 1990's. We have been through a lot together. And there is something about the two companies' value sets that mean that we work together very well.

So we are really excited about that. We have a lot of growth to do in the coming years, whether it is the 2.5 gigawatts going to 50 gigawatts; whether it is the 7,500 charging points going to 70,000 charging points; whether it is the ambitions we have in hydrogen, which we will come onto. So you can expect to see more partnerships, for sure. Some acquisitions, but I do not think acquisitions at a mega scale. Anything that is in our sights is within our capital framework. John, it is very, very important that people understand that.

So there will be more partnerships to come. We love partnerships. Murray and I were talking yesterday and the thing we love about partnerships is: we do not have this ego thing about we have to do everything ourselves; we're quite happy to join up with people if someone has skills that we don't. The thing that Murray said is that sometimes partnerships take you places that you would never have imagined. We went into India and established a relationship with Reliance in oil and gas. Bob Dudley cultivated that relationship for many, many years. Sometimes under a lot of pressure around the developments there. But patience, mutuality, respect, inclusion, all those things that have, we hope, become our hallmark. And suddenly, today, we have a partnership in retail in India with, as we said, in the presentation, Jio, which has to be one of the world's most eye-catching, growing huge brands at the moment.

So partnerships - we are all about - we love them and excited to do more. And John, you will see more in the coming months and years for sure.

[2] See press release at https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-and-equinor-form-strategic-partnership-to-develop-offshore-wind-energy-in-us.html

The next question is, maybe you can help with this Giulia, do you think you could hit your 2050 target earlier? i.e. by 2030? And if not, what is holding you back?

I would remind people that we just set the 2050 ambition and aims in February, which I know feels like a lifetime ago, but still is not that long ago. But that is a fair question. And Giulia, you got some thoughts on it.

Giulia Chierchia: Thank you. So I think we indeed just set out in February our 2050 ambition and aims. And our aims are focused on getting bp to net zero by 2050 or sooner. This said, on August 4th and across the next two days, we will be talking in more detail about our 2025 targets and our 2030 aims. And as Bernard said, we see those 2030 aims as pretty ambitious, yet feasible. And we believe we have the capabilities to deliver on those.

So currently, we think the aims that we have set for 2030 are the right aims to push forward and if things accelerate and we can accelerate, we in any case are very much supporting a path which is consistent with Paris. But I think we have just set them. We are very much in motion towards delivering on our 2025 targets and our 2030 aims. And I think it is a bit early to talk about accelerating anything beyond that.

Bernard Looney: It is great. I mean, the ambition is great and we love ambition. But I think people would probably – what they want from us now is delivery. And we get that. And that is what we are going to do. So rather than update our ambitions or bring things forward more – and they are already ambitious and rightly so. And as Giulia said, we believe we will deliver them. But I think it is a time for delivery and that is what we are getting down to do. And that is why we are excited about the partnership we have agreed to create with Equinor, because right off the bat there, that is something that that we have announced. And there will be more in the weeks and months ahead. So, watch this space.

Next question is from George Richards with JRP in the UK. What do you see as the role of hydrogen and helping organisations and nation states to achieve net zero?

George, it is a great question. Giulia and I were with an NGO last week. And I asked them, I said, 'What is your ultimate dream here?' And their response was renewable electricity and green hydrogen, and that was their dream for the world.

And I think we would broadly agree, with maybe two things to add rather than two exceptions. I think we would add bioenergy because I think we believe in bio. And I think on hydrogen we would say not just green hydrogen, but green and blue hydrogen. As Spencer said earlier, on renewables we can electrify everything that we want in the world. But there comes a point where there are some things that just are really difficult - heavy duty transport, some industrial processes like heating; these are things that are very difficult from an electricity standpoint. Hydrogen comes in, we would say green and blue because as Spencer put it quite well, you do want to build that hydrogen economy. So you want to give it the best chance that it can, and you do not want to necessarily pull renewables away from their job in replacing the coal used in generating electrical power, for example. You want renewables to be concentrating on decarbonising the power sector. Giulia is pleased that I listened to Spencer's presentation, but so I think that is really the answer around hydrogen. Giulia, did I miss anything?

Giulia Chierchia: No, I think it was perfect. I would just add that as Spencer said, we see it as a critical enabler to the transition. And we talked about in the Rapid Transition and Net Zero scenarios, hydrogen getting to up to almost 20% of final energy consumption. So it has a critical role to play; in particular, for hard to abate sectors and industries and for heavy duty transport. So there are sectors in which hydrogen will have to play a critical role for the energy transition to come into play and achieve the Paris Agreement.

Bernard Looney: Very good. Great. Giulia, thank you. And George, thank you for your question. Where will we go next? From Graham Weale at Ruhr University in Bochhum, where we have a very large presence. So, Graham, thank you very much for your question. To what extent are the current low oil prices hindering investment in new forms of energy? Murray, do you want to have a little go at that in terms of are oil prices low in the first place? And they are higher than what they were and are they holding us back a little bit?

Murray Auchincloss: Hi Graham. Thanks for the question. I think I will dodge the question of, if oil prices are low or not. I guess if I look back one week, the forward price for 2021 was $47 per barrel. If I look at it this morning, it is $42 per barrel. All I know is whatever I say, I will get it wrong. So from our perspective, we do not focus too much on the oil price; instead we see what we can do to drive efficiency in our business.

I think for ourselves, we reset our overall capital allocation framework on August 4th. And what we said is we wanted five clear priorities about where the sources of cash would be spent over time. And we talked about it in five ways. The first thing we would fund is a resilient dividend. Second, we would de-leverage our balance sheet and get the balance sheet to a place where we could strongly invest moving forward with a strong investment grade credit rating. Our third priority was investing into low carbon and that is the third priority. And we gave a capital range on that as well. After that was the fourth one, which was investing into resilient hydrocarbons, the historical oil assets, etc., that you are talking about. And the fifth priority I mentioned earlier is if we have excess cash after that, at least 60% of it would be for share buybacks.

So as we think about low oil prices right now, if oil prices start going down, how do we approach capital allocation in the corporation? Obviously if prices are too low, there is no share buybacks - so that is stage one, we cut back. Stage two, we look at the resilient hydrocarbons and we say to ourselves, if the price of oil is $30 or $40, probably some of these things are not economic as well. So we start rolling back that resilient hydrocarbon spend. And we have a fair degree of flexibility in there. Somewhere between $1-2 billion at any moment in time, we can pull back to drop that breakeven even lower. And that then enables us to pay our dividends, to de-leverage the balance sheet and to invest into the transition.

So do I think the current oil prices are hindering us? Not really. We have got plans laid out for a capital frame of $13-15 billion next year. We will probably be at the lower end of that next year. We will report back to you on that after third quarter results. But I think we have a sensible space. We are starting to grow. We have done the great deal with Equinor that Bernard talked about. So that will obviously go into our investment next year, but we will be careful and we will do this in a measured way to make sure that we drive returns. So no, I do not think we are hindering investment right now.

Bernard Looney: Very good. Excellent, Murray. If I could add, in our priorities in the capital allocation, we made a deliberate choice and we debated it for some time, I think, Murray, and it is number three and four in the ordering. And so we have put investing in the transition as priority number three ahead of that hydrocarbon investment. And the reason that we have done that is because we have more flexibility, as Murray said, in hydrocarbon investment. And at the same time, if we do not really maintain that focus on investing into transition, then we will keep deferring it and we do not want to do that. So that priority, that number three and four, a lot of debate went into that and I think we have got to the right place. So Graham, thank you very much for your question

The next question is from Paul Sankey of Sankey Research. I am not sure if there is ever going to be a Looney research, is there? But let us see. Your outlook is heavily dependent on energy policy outcomes. How do you see the USA, China and India following EU policies that imply much higher energy prices?

Giulia, I would like you to help on this. I will just say one thing, Paul – well, just two things, if I may, and then ask Giulia to comment. First of all, the outlook is not dependent on energy policy outcomes per se, because we have got four scenarios in there and they are all quite different. So Business as Usual, for example, is not predicated on some major policy outcomes; clearly Rapid Transition and Net Zero scenarios absolutely are. And in terms of our strategy, again, the point we make over and over is that while we have a strategy that is leaning into the transition, it is also resilient to the Business as Usual scenario.

But Giulia, you want to comment more directly?

Giulia Chierchia: Yes, to add on that from a policy standpoint, if I go back to the Paris agreement; the Paris agreement calls on global nations to self-define their pathway to achieve zero emissions in the second half of the century. And it recognises that different markets and different countries will have different pathways with developing markets, for instance, likely having to increase their absolute emissions in order to sustain economic development before being able to embark more forcefully on the energy transition. So, policy will be different by market as energy markets, transition. And we see opportunity across all these markets. China is very much leading and heading into electrification. We are planning to play into electrification. Brazil is leaning very heavily into biofuels. We are going to play in biofuels with our BP Bunge, JV.

So I would say the answer is not necessarily the same across markets. Markets will evolve along different pathways. We see opportunities across these different pathways and these different markets.

Bernard Looney: Giulia, thank you. And Paul, thank you for the question. The next question is again, one for you, Giulia, I think, around nature-based offsets and this is from Shadia Nasralla with Reuters in the UK. Hi, can you expand on your plans for nature-based carbon offsets given how small the market is for credits in this space? Many thanks, Shadia from Reuters.

Giulia Chierchia: So again, if I go back to the transition scenarios and as I mentioned in the sustainability presentations, we see natural climate solutions (NCS) playing a critical role for the world's energy systems to decarbonise. So the IPCC scenario for 2100 mentioned 500 million hectares having to contribute. So we do see a critical role for NCS to play in the transition. And we plan on participating in shaping the market, both in terms of origination of NCS opportunity in terms of supply, but also in terms of shaping, if you wish, a voluntary carbon trading market.

And as we do so, we will do so along the highest standards across the entire value chain. Now I would like to also go back to what we said, which is when it goes back to bp and the aims we have set for 2030, we do not rely on offsets to deliver on those 2025 targets and 2030 aims.

Bernard Looney: Great, thanks. Giulia, thank you Shadia for the question. Next question is from Michael Smith in Thailand. Michael, it must be late, I reckon, but your question is - this is a significant and risky shift in focus and expertise. The nineties saw many technology companies attempting to shift from hardware-driven revenue to software and services. Most of them failed due to legacy management failings to accept that the old revenue and business models were gone. How is bp planning to upgrade its management and technical expertise to deal with the new challenges?

It is a great question, Michael. I hope you are not suggesting that we all need to get upgraded, but that may well be true, but let us hope not. Look, in terms of the skills and so on, I think we need to talk a little bit more about the things that we do that are as suited to this new world as they are to the old world. Our consumer mobility business, the capability that we have in that space is I think incredible. And personally, I think it is under-appreciated both inside the company and outside of the company. Earnings growth every single year since 2014, high returns, strong brands, growing convenience offers. Who would have thought that bp's coffee is the number one coffee brand in New Zealand? Fun fact, Wild Bean.

So this is an area of the business that I think we have really relevant skills. And that is why we are confident that we can almost double earnings from that business in the next several years. You look at power and electricity. We are talking today, we are probably one of the top five power traders in the biggest electricity market in the world, in America today. You look at operational and technical skills, our projects organisation, this is not us saying it, but as I said, benchmarked on four out of the five relevant attributes, we were best in class[3]. That is done by IPA. You start thinking about offshore wind, you start thinking about floating wind. You start thinking about all those things. They are going to need project managers. And we think we can bring those skills. And in places like mobility, companies like DiDi want to partner with us because of things like our safety management system.

So in many ways, I guess my point is more skills are relevant to the future than you think, and where we lack skills, as Kerry said, we hire. We are hiring a Head of Sustainability - we will look outside the company. We brought in Fran Bell as our distinguished data science advisor; incredible background. We brought in somebody to lead innovation. Murray's looking at people outside the company in his part of the organisation. We are about refreshing skills. We've brought Giulia in, and the list goes on.

[3] First quartile; 'Independent Project Analysis Inc, annual benchmarking consortium (UIBC 2020) meeting, bp ongoing projects'.

So we are very much in the world of our people having more relevant skills than a lot of people might think. And of course, where we have gaps, we will recruit. And that is what is exciting about February. And that is what Kerry was alluding to, is that actually there is a world opening up to us in terms of recruitment that would have been hard. Kerry, do you want to add?

Kerry Dryburgh: It is great to see the question. In fact, as Michael alluded to, I was working through the technology transition in an old company, so I can really relate to what he is saying from a people standpoint. And I think you are right, Bernard. The reality is when you announced our new ambition in February, we actually saw a peak. So in terms of the number of applications that we have coming into the company, we saw an all-time peak of over 12,000 people applying to bp at that point.

So what we know is that the direction of travel is attractive to people outside of our company and as Bernard said, a great opportunity also for us to take some of those really relevant skills and use them in different ways.

I think the other point I would just add is really, if you think about some of the businesses we already have today and some of the operations we have in different regions, we have built businesses where we do not have skills or expertise and locations from scratch. And that is been through the educational system, creating the right type of educational system locally, as well as then hiring and developing new businesses. So I think it is a combination of all these things. It will be upscaling; it will be re-skilling; it will be partnerships; it will be hiring. And through that combination of factors, we will build the business we need for the future.

Bernard Looney: Yup. Great, Kerry, thanks, Michael, thank you for your question. Hope that helps. Chris Kuplent, Bank of America. Murray, if you can help with this one. You are stressing that there is no plan for a fire sale. There is no plan for a fire sale, Chris. You are in no hurry to exit upstream positions, but do you not expect that your upstream legacy assets in say three years' time will face more competition versus many more assets by then being up for sale from, for example, even US oil majors? Thank you, Chris. Murray?

Murray Auchincloss: Hey Chris, good to hear from you. Thanks for the question. I hope you are doing okay in Germany if you are still in there. So just to remind you of what we talked about, we said on August 4th, that we will be divesting a total of $25 billion of assets between the second half of 2020 and 2025. And as Bernard mentioned today, half of those have been announced or are on their way to completion. So we have about half of that $25 billion number left to go, and we have numerous conversations ongoing. I think Chris, the part that is a little bit unusual for us is post 2010, we have divested something like $60-70 billion worth of assets. We have significantly high-graded the portfolio and the assets that we have left in, although there may be some assets that we call tail in our portfolio, they are pretty good compared to other companies because we've gone through that gigantic high-grading.

So I think first of all, we start with just a great set of assets and things that we do not like, other people generally like. And if you need proof points on it, you only need to look back at Alaska where Hilcorp decided they wanted to take on Alaska. And we came to a good agreement on that. You need to look at Petrochemicals where INEOS decided they wanted to tackle that and numerous ongoing conversations post August 4th. So I think because of our high-grade position, I think because of all the sales we have done in the past, I think they will just be a good set of assets with lots of inbounds. And as Bernard said, I do not feel a rush and I feel pretty confident that we will be able to deliver it, especially with our track record of delivery in the space.

Bernard Looney: And different people want different things, don't they? I mean, there are parts of the world that that these assets remain very attractive to. There are buyers out there. And I think this [question] is, Chris, in support of our 40% reduction, I think by 2030, but we will, I am sure, have chance to follow up with him this week on that.

The next is from Irene Himona with Societe Generale. Hi, Irene and this for Bernard. On the delivery of the 50 gigawatts renewable ambition by 2030, you referred to this being realistic and achievable. It represents only 1-4% of the total global capacity you see across the scenarios introduced today in your outlook. Why is such a market share easily "deliverable for bp" when the competitive landscape is now expanding to not only include other major oil and gas peers, but also utilities, pure renewables players, all looking to exploit the same opportunity.

So it is a good question. Giulia will have something to add on this as well. I do think it is really, really important, Irene, to look at our track record here and a lot of people say what does bp really bring, really? Yes, you say integration, yes, you say this, but really what do you bring? How do you do solar? How does bp do solar? And I think we just have to remember in this one, for example, in solar, which is probably half of that 2.5 to 50 gigawatts, it is probably 75% of the pipeline that we have today is solar.

So let us look at solar. How would we be able to do that? Well, we do that through Lightsource bp. Now, who is Lightsource bp? Lightsource is a company that has been around for almost a decade and they do solar. That is all they do. And we are now their partner. They move at lightning speed. You will hear this week about that from members of the Lightsource bp team. Two years ago, they had 1.6 gigawatts of capacity in their pipeline; today that's 16 gigawatts, just two years later.

If you get a chance, look at their website, look at some of their videos. I was looking at one at the weekend. Do you know how many solar panels it takes to develop a 450 megawatt solar farm in Spain? 650,000 solar panels. That is what they do. They do these projects for breakfast. They are an execution machine. They have gone from three or five, I think to 13 countries. They have gone from zero States in the United States to 20 States. So when it comes to bp's ability to prosecute that solar build out, we have an incredible machine and incredible company called Lightsource bp. That is what they do, and that is all they have ever existed to do.

So, they are the things that give me real confidence in our ability to prosecute this. And then of course we have the announced offshore wind partnership, and nobody has to question Equinor's credentials in that space. We have our own onshore wind position in the United States. And I want to be really clear, Irene, because again, it is a question that people ask to say, 'Oh, I am really worried about this 50 gigawatt target. They are going to deliver it at all costs.' We are not going to deliver it at all costs. I think many of you know Murray well enough by now. We have said and made it very, very clear that we believe we are going to deliver that 8-10% return. And if we cannot see it, we will not invest in it. And we actually think we can do better, but we are not promising the world.

We believe we can deliver 8 to 10%. And if you look at how we build that up, and Dev will go into it this week, we are very confident in how we can do it.

So, we do not feel like we need to compromise on value to deliver those volume targets. So I know it sounds not the greatest proof-point in the world, but I would encourage people to look at Lightsource bp, look at their website, look at some of the videos. I was blown away by what they do and how they do it. And that is just in solar.

So Irene, we would not have put it out there if we did not think we could do it. And that is what we are going to do. Giulia, anything to add?

Giulia Chierchia: Well, I would say just one joke, which is that we are pretty adaptable, and hopefully you can have seen that from today's hiccup on the technical session with Spencer. Beyond that, what I would say is I just wanted to contextualise the 1-4%. So 1% is basically the announced 50 gigawatts developed at financial close in a Net Zero scenario. So if you wish in a fast paced transition. The 4% represents the 50 gigawatts in terms of the total global capacity to be added in a Business as Usual scenario if you exclude China, because China is a difficult market to participate in.

So that is to give you a bit of a sense of what we are talking about in terms of ambition and contextualising to the growth that even in a Business as Usual scenario we see it taking place in the years to come.

Bernard Looney: Great. Excellent. Irene, thank you for that. And more from Dev during the week on this. So let us keep going with some more. Christian Malik with JP Morgan here in UK. Hi Christian. The path to 2025 seems more robust from an oil demand perspective than arguably the subsequent years into 2030. Moreover, the energy outlook seems to infer a rather large deficit could emerge before we approach peak demand. If that occurs, would you consider allocating more capital towards your oil and gas business at the expense of accelerating your renewables pipeline? Or does the macro environment in as far as being better than we expect, make no difference to capital allocation priorities? Murray, you want to take that one?

Murray Auchincloss: Yep, sure. Hey Christian. Good to hear from you. So look, I think our path is pretty clear. We have a set of five priorities. We have a clear capital frame. We will be investing $13-15 billion before we hit our net debt target, $14-16 billion thereafter. We have given the targets on transition investments, such as low carbon. And we have told you that that is the third priority and that hydrocarbons come after that.

So I think the way for you to think about this is we have a pretty clear frame. We have a coherent approach to capital allocation. We are not going to meander away from that. We know what has happened in the past when the sector has chased more and more investment in the upstream, when prices go up. We know how much value gets destroyed by that. And we are not going back to that.

So I think the way you should think about us is we will pay our dividend. We will deleverage the balance sheet. We will invest at the levels we have talked about into the renewables pipeline, and we will keep our overall capital frame tight in that $14-16 billion range, including inorganics. That is a change and enforces more investment discipline. And what I would hope over time that really happens is we can continue to drive efficiency and we can continue to do more across the totality of the business by driving that efficiency in.

But I do not think it makes good business sense to chase volumes. I think over the past two decades, we have really learned our lesson on that. And we are going to focus very tightly on doing the historic upstream investment as efficiently as we possibly can with real rigour on this space to make sure we do not repeat the past.

Bernard Looney: Great. So we have a frame, it is clear and returns are a boundary. That is how we will play it. So, Christian, thank you. Let us keep going, we got a few more minutes left here. Murray, I think this is probably best for you. You are also responsible for supply chain. Will bp engage your supply chain providers in the transformation effort? And if yes, how? This is from Meriem Bertouche with Badley Ashton in the UK.

Murray Auchincloss: Hi Meriem. Thanks for the question. And "Absolutely" is the simple answer. As we laid out the ambition in February, we started a body of work inside the supply chain organisation that, as Bernard says, reports to me, thinking about what does it mean to have a sustainable supply chain? And we have got a small team working on that, with our suppliers, looking at their thoughts, figuring out how do we reduce the total emissions and how do we create a sustainable supply chain that includes recycling, emissions reduction, different materials, green steel, et cetera, et cetera. So we think there is a lot of room in this for improvement. We think there is a lot of waste in that system. We do not think we have prioritised it. And the funny bit about it as you dig at it, is that actually moving towards a sustainable supply chain is actually a more efficient supply chain as well.

The amount of waste on packaging, the amount of waste on recycling is just something that we can definitely improve upon.

So I think it is a big prize. We are not advertising it massively right now as we come to grips with it over the coming years. But I think this time next year, we will probably come back to you and talk to you more about what we are doing in that space because I do think it represents a tremendous opportunity, not only to be a more sustainable company, but actually to drive efficiency into the sector as well.

Bernard Looney: Very good. Excellent. Thank you, Meriem. Thank you, Murray. We will try and get one or two more in, if that is okay. Giulia, one for you from John Stoll with *The Wall Street Journal* in the United States. Can you give some examples of where customers and end users have ramped up demand for specific renewables? How have these specific examples emboldened or affirmed your approach? How necessary is this pull from end users, other than government, for renewables to get a company like bp to invest increasing amounts?

Giulia Chierchia: Thank you, John. So I would say that to the second question of how necessary is this for bp to increase their investments into the renewable space and the low carbon space in general, I would start by bringing you back to the outlooks that we have shared and our view on ramp-up of renewables within the energy system. So I would say the investments in the space are driven also by our perspectives across scenarios, in terms of how we see renewables play a critical role.

In terms of specific examples as to where we see customers driving more renewables, we have talked about it. We have talked about 114 cities as an example pledging to a 1.5 degree path in terms of de-carbonisation. And we have announced our partnership, for instance, with Houston, we have announced our partnership with Aberdeen and William will share more and more examples along those lines.

Along the same lines, we shared also on August 4th and we will share over the next two days, additional examples of industry specific and corporate specific pulls for renewables. We have announced that we would like to partner with three industrial areas. Transport across, if you wish, sectors; hard-to-decarbonise industries and consumer and tech to help those industries decarbonise. And within those, we already have examples of customers which are driving the decarbonisation. And we shared, for example, the Amazon deal by which we are sourcing renewable power in Sweden. We are coupling it with our own renewable generation in Iberia. We are driving, if you wish, a firm net zero renewable offer, where we can also bring our offsets approach to basically balance it with gas, offsets, renewables, and therefore have a full renewable offer.

Bernard Looney: Thank you, Giulia. Thank you, John. And then the final question Bruce Duguid who's with Hermes here in the UK, but also the coordinator for the Climate Action 100 Group. "We welcomed the ambition of bp's net zero strategy." I think Bruce loves it rather than welcomes it, but let's say we welcome it. "And the clarity of the 2030 targets, will all the CAPEX, including in fossil fuels, be consistent with the Paris goals, with reporting to support this?" From Bruce. Thanks. And thanks to you and the team for your support and challenge over the last couple of years, which has helped us get to where we are. I think Gordon will speak to this during the week and we should let him do that. All I would say is that for a company who is going to spend about $7.5 billion in the upstream - Murray, we used to spend over $15-16 billion in the upstream; for a company who is planning to reduce its production by 40% over the next decade; for a company who is not going into new countries for exploration and is going to have an exploration budget of less than $0.5 billion when that used to be around $2bn - I think you can, rest assured, that the remaining investment is essential and will have high returns, very quick paybacks. And in terms of consistency with Paris, they are the types of things that would support that.

So more from Gordon during the week, but I think very much so. So Bruce, thank you for your question.

With that, I think we are at done. So a lot of information thrown at you all today. We really appreciate your patience. I hope you found it interesting. I hope you learn something. If you have got feedback, we always say we are not perfect. We do not have all the answers. There is plenty of stuff that we can get right. And plenty of stuff we can improve on and let us know. We may not agree on everything, but the dialogue makes us better. So we really, really appreciate it. And we are back tomorrow, Tuesday, and we are back Wednesday as well. And we will be looking forward to sharing much more with you.

So with that, thanks to the team and thanks everybody for joining. Thank you very much.

[END OF TRANSCRIPT