How we make the changes stick

Our aim is to create a margin focused mentality irrespective of the price environment through:

• Rigorous capital allocation
• Simplified organisation with strict headcount management
• Striving for safe, top quartile performance in every basin on cost and capital efficiency
• Working with our suppliers to aggressively deflate our costs and collaborate for the most efficient solution
• Building a continuous improvement mentality

There is much more to do…
Rigorous capital allocation – making choices

Where we spend the money

- Refocusing exploration
- No compromising safety or integrity
- Optimising pre FID spend
- Using defined hurdle rates
  - New Greenfield projects mid teens return
  - Drilling Programmes > 20%
- Ability to flex capital spend

Disciplined choices in several forums

- Exploration Forum
- Appraisal Forum
- Area Development Plans
- Regional Plan reviews
Resetting production cost to top quartile

**Production cost $/boe**

- **Chevron**
- **Shell**
- **Exxon**
- **BP**
- **Total ***

**Upstream Headcount**

- **Agency**
- **BP Staff**

* Total excludes Adco
Improving capital efficiency – drilling execution

% of Top Quartile offshore wells
Day / 10k

- 2013: 25%
- 2014: 34%
- 2015: 45%
- 1Q 2016: 64%

Non Productive Time
%

- 2012: 33%
- 2013: 31%
- 2014: 28%
- 2015: 26%
- 1Q 2016: 19%

* Source – BP Internal
Improving capital efficiency – examples

Egypt West Nile Delta* Program Delivering Top Quartile Drilling Performance
(Days/10k ft drilled)

Source: IHS Rushmore
* BP West Nile Delta Taurus/Libra Development well program versus all wells drilled in Egypt’s Nile Delta since 2002
Improving capital efficiency – examples

**Q204 / Deepsea Aberdeen**
**Day / 10k**

- **Well 1**: 3rd Quartile - 50.0
- **Well 2**: 2nd Quartile - 31.6
- **Well 3**: Top Quartile - 27.3
- **Well 4**: Best in class - 20.4

**Oman Khazzan**
**Driving lower cost per well**

- **2014**: 14.8
- **2015**: 13.4
- **2016**: 11.4
Working with suppliers to aggressively deflate costs

Reduction range by Sector
Includes 2016 spend (opex + capex)

- Well Services
- Rigs
- RDT
- Operations & Maintenance
- Logistics
- Installation
- Fabrication & Construction
- Equipment & Technology
- EPMS
- Engineering Services & Subsea

Reduction as of 3Q 2015
Further reduction delivered to May 2016
Collaborating with third parties

Standardisation & supplier collaboration

Expanding competitive source options

Water Injection Manifold

Valves

Piping
Building a continuous improvement mentality

Initiating a step-change to embed continuous improvement into our DNA

- Leverage functional expertise within a regional context
- Leverage global processes and cross functional integration

GWO & Sub surface - $2/bbl improvement in Q204 project economics

Tangguh Expansion Project - >$3bn
There is more to do..

Reduce Inventory

Step change to reduce inventory holdings and optimise our global warehouse footprint

Increase “Wrench Time”

Global initiative to significantly improve wrench time and maximise efficiency across our offshore operations

Modernise and standardise systems

Modernise & standardise our purchasing systems. Use big data to efficiently manage our business

Optimise Logistics

Create efficiency across our operations globally by optimising the plan and sharing wherever possible
Summary - how we make the changes stick

Our aim is to create a margin focused mentality irrespective of the price environment through:

• Rigorous capital allocation
• Simplified organisation with strict headcount management
• Striving for safe, top quartile performance in every basin on cost and capital efficiency
• Working with our suppliers to aggressively deflate our costs and collaborate for the most efficient solution
• Building a continuous improvement mentality

There is much more to do…