Bernard Looney at the Barclays Power and Energy Conference

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Thank you Lydia.

Good morning everyone and thank you for your welcome.

I hope most of you were able to enjoy a well-deserved break over the Labor Day holiday weekend here in the US.

As we all know, the Barclays CEO Energy-Power Conference is one of the world's great energy events, and sets the tone for the US fall energy conference season. So it is a privilege to be here today, and thank you to Lydia and to Barclay's for the opportunity to share some thoughts.

It was a busy first half of the year for BP. And it got even busier going into the second half, with the announcement of our acquisition of BHP's Permian, Eagle Ford and Haynesville assets at the end of July. More on that shortly.

I will start today by outlining BP's strategy to create value in a changing world. I will then summarize the strategic and operational progress we are making in our Upstream and Downstream segments. And within that I will cover some of the key points relating to our acquisition of BHP's onshore US assets and how this fits with our portfolio for the future.

Of course, before I begin, I need to draw your attention to our cautionary statement shown on this slide. I will not read it out, but you can find a copy on our website.

Group

At BP, we are delivering on the five year strategy that we laid out at the beginning of 2017 and which is summarised here. It is a strategy designed to shape our portfolio so as to create a business that is resilient and fit for a changing world. That change of course involves addressing the dual challenge of meeting society's demand for more energy, while at the same time working to reduce carbon emissions to help meet the world's climate goals.

We are six quarters into this five-year plan and we are making good progress. This progress is translating into improved underlying profit and cash flow. Our underlying cash flow of $12.4 billion in the first half of this year, more than covered our organic capital expenditure and the full dividend.

Given this progress, along with the operational momentum we see across the whole business, our continuing focus on maintaining a rigorous financial framework, and our confidence in the outlook for organic free cash flow, we announced a 2.5% increase to the quarterly dividend - our first dividend increase in four years. This demonstrates our commitment to growing distributions to shareholders over the longer-term.

We are doing all of this while maintaining discipline in our organic capital expenditure, sticking to a range of $15-17 billion per annum over the medium-term, while also maintaining debt gearing within a range of 20-30%.

Upstream

Turning to the strategic priorities you see on the slide, in the Upstream, the business that I am responsible for, we are focused on growing both gas and advantaged oil – focusing on only those resources that are low cost or high margin - so as to be resilient to any price environment.

That resilience also depends on quality execution – being the best at what we do where we work - and that starts with doing it safely and in an environmentally responsible way.

And as we are now seeing, this approach delivers returns led growth – investing with discipline to grow value through increased cash flow and returns.

We have a strong set of major projects coming onstream out to 2021, driving growth in the near-term, and creating deep optionality into the next decade.

We are building our portfolio in a way that we believe is distinctive to BP, optimising the value of our assets in both incumbent and growth areas, and exiting assets where we can create value by divesting to others.

You have seen us make distinctive portfolio choices in the Norwegian North Sea, Gulf of Mexico, Argentina and most recently, through the transaction involving our Clair UK North Sea oil field.

We are continuing to look for opportunities to high-grade our portfolio further through inorganic investments in new assets that are value-accretive. The recent BHP transaction was a major example of this strategy in action, creating increased optionality across our existing US onshore operations, as well as growing value in a basin where we previously did not have access.

We recently reported our best quarterly, underlying pre-tax earnings for the Upstream since the third quarter of 2014. This result was certainly helped by the oil price environment, but much more importantly, it was underpinned by around 10% growth in underlying production compared to the same period last year, and a relentless focus on capital and cost discipline. This is something that is structurally different from previous industry cycles and illustrates the way we are building resilience into the business.

Downstream

In the Downstream, our strategy is:

- First, to deliver underlying performance improvement and growth, expanding earnings potential and improving resilience; and

- Second, to continue to build competitively advantaged businesses across the segment.

We are making strong progress delivering this market-led growth strategy, particularly in our fuels marketing business.

We are expanding in major growth markets such as Mexico, India, Indonesia and China, and we are continuing to progress our convenience retail offering in established markets. Recently, we announced a series of investments in Freewire, StoreDot and Chargemaster, which respectively represent fast-charging technology, battery innovation and the UK's largest electric vehicle charging network operator. These investments position us effectively for the rapidly evolving EV market - a market that we see as an opportunity for BP.

Advancing a Low Carbon Future

Those investments are also central to our commitment to advancing the low-carbon future across our entire business, something we laid out in detail earlier this year when we released our report on Advancing the Energy Transition. This commitment is integral to the broader strategy of BP, involving every part of the business.

Our approach consists of three distinct elements – which we refer to as 'Reduce-Improve-Create' or 'RIC":

- First, reducing our own emissions through operational emission reduction activities – with a goal of zero net growth in emissions between 2015 and 2025.

- Second, improving our products to enable our customers to lower their emissions.

- Third, creating low-carbon businesses to complement our existing portfolio.

Modernization

And last but not least, we are underpinning all of this activity with a drive to modernise the whole group, from the systems and tools we employ, to the data we collect, and the new technologies which are transforming the way we work. More on that in a moment.

Let me now update you on strategic and operational progress in our Upstream segment, with some specific examples, particularly our acquisition of BHP's US onshore assets.

In the Upstream, our focus on quality execution is delivering record operating performance, with operated plant reliability at 96% in the second quarter of 2018.

In 2017, we started up seven major projects. We have continued that momentum into 2018, with the start-up of three major projects so far - Atoll Phase One in Egypt, Taas Expansion in Russia, and Shah Deniz Phase 2 in Azerbaijan. These projects were delivered on time or ahead of schedule, and also on or under budget. We have three more projects to bring on in the second half of the year.

We have also made five final investment decisions this year on projects in Oman, India, Angola and two in the UK North Sea, further de-risking the 900 thousand barrels per day of incremental production from major projects that we expect to add by 2021.

And we recently announced that we are deepening our operated position in Clair in the UK North Sea, increasing our equity from around 29% to 45%. Clair is estimated to have had more than 7 billion barrels of oil initially in place, and future development opportunities are set to create significant value, including the Clair Ridge project that we will start up this year.

Across the Upstream, we are moving ahead with our major programme of modernisation and transformation.

There are many examples that I could talk about, but let me share just one with you. It is called Apex and it is a tool which essentially provides a digital twin of real world facilities and thus enables us to optimise production by modelling physical constraints and adjusting flows accordingly. Let's watch a video…

In the second quarter of this year, we added Apex to over 1,000 wells in Alaska and we now have 22 operated assets globally using the tool. Last year, Apex contributed to the 0.6% growth we achieved in our base production. It is just one way in which the benefits of our modernisation and transformation agenda are feeding straight into the bottom line, materially improving performance.

I am sure you are keen to understand how the transaction we announced in late July to acquire BHP's assets in the Permian, Eagle Ford and Haynesville basins, fits into our strategy

This is one of the most exciting and transformational investments BP has made in recent years and it supports our strategic agenda in several ways:

- It strengthens our advantaged global oil and gas portfolio with the addition of world-class unconventional oil and gas assets, with more than four billion barrels of high quality resources. These are resources that can be developed with an IRR of 20% or more at prices of $55 per barrel WTI and $2.75 Henry Hub.

- The move also builds on the proven sector-leading operating capability we have demonstrated in our Lower 48 onshore business, which I will talk about some more in a moment.

- The deal also high-grades our Lower 48 portfolio. It increases our onshore liquids exposure with new access to black oil and high quality liquids in the Permian-Delaware and Eagle Ford basins, and premium positions in the Haynesville basin.

- Above all, from an investor perspective, the acquisition creates value. Post integration, the transaction is expected to be accretive on both an earnings and cash flow basis. Indeed, it contributed to us increasing our projected Upstream free cash flow outlook in 2021 by an additional $1 billion. Our production CAGR of 5% per annum to 2021 is also set to be further improved through this acquisition.

- And critically, this acquisition will be accommodated within our existing financial frame: Our planned medium-term organic capital expenditure of $15–17 billion per annum as well as our guidance for gearing and returns on capital employed all remain unchanged.

We have also announced our intention to divest an additional $5 to 6 billion of assets, predominantly from the Upstream, bringing our net investment to around $5 billion. Proceeds from divestments are expected to fund up to $5 to 6 billion of further share buybacks over time.

As we look to the longer term, these long-lived unconventional oil and gas assets are an important addition to the suite of growth options we have, providing potential for material value creation into the next decade and beyond.

Our confidence that we can create value from these new assets is underpinned by our track record in the Lower 48 so far – so let us look briefly at how that record has developed

The Lower 48 team has laid the groundwork for this deal over the last four years. It has radically transformed its business into a top quartile operator, driving significant improvements through leading operational processes and technologies.

These charts tell that story of improved performance very graphically.

Unit production costs have declined each year. This year we are on track to reduce them to 35% below 2013 levels at under $7 per barrel.

Headcount has been reduced by 54%, enabled by technology such as intelligent operations, as well as by utilizing a more efficient organizational model to manage overhead costs.

And development costs are also down by 35%. This is partly driven by improving capital efficiency, as our drilling programs become more repetitive, more factory or manufacturing-like and more competitive; and partly by improving well productivity, as better completion technologies are deployed.

I have spent quite a bit of time on the Upstream, but let me also briefly update you on strategic and operational progress in our Downstream business.

- We are continuing to grow value from commercial optimisation of refining. For example, our Whiting refinery in the US processed record levels of crude in the first half of 2018.

- In Petrochemicals, we have announced two new PTA licensing agreements this year, demonstrating the strength of our industry-leading proprietary technology and allowing us to generate reliable sources of income without the need for capital investment.

- We now have our convenience partnership offer in more than 1,200 sites across our network.

- We have continued to grow premium fuels volumes, through the strength of our brand and offer.

- In Mexico, a key growth market, we have now opened more than 300 sites, having only entered that market in March 2017.

- And as I mentioned earlier, we have invested significantly in the electrification of transport, through investments in Freewire, StoreDot and Chargemaster.

Let me close by reiterating the three elements of our investment proposition to you as shareholders.

Safe, reliable and efficient operations always come first, day-in and day-out. We are executing our plan with discipline, our operations are running reliably and we're bringing on our major projects on time and on budget.

We are a global energy company with a distinctive portfolio that is designed to be fit for the future and good for all seasons. Like many high-performing investment portfolios, one of its main qualities is balance. The portfolio is balanced between oil and gas, between the regions, between onshore and offshore, conventional and unconventional resources, and with a growing low carbon mix. It is packed with optionality. We are optimizing it all the time, ensuring that it is resilient to a changing environment and leverages our strengths.

Our focus on returns through value-based, disciplined investment and a rigorous focus on costs is relentless. We expect our group oil price cash flow breakeven level to reduce steadily to around $35-40 per barrel by 2021, and over the same period we expect our ROACE to improve to over 10% at $55/bbl.

Together, these three elements make up a proposition that was laid out in 2017 in our five year plan, and which is delivering results. It is consistent, it is working and it is all in service of our aim of growing sustainable free cash flow and distributions. With that, thank you again to Barclays for the opportunity to speak today.

And thank you all for listening.