

2016 Annual General Meeting: group chief executive

Bob Dudley

Group chief executive

14 April 2016



Thank you Carl-Henric, and good morning everyone.

We really appreciate your interest in coming today and the trust you put in BP.

If you've been with us a while, you'll have seen a lot of change.

We're a company that is constantly adapting and evolving.

We're in a different shape as a business than we were five or six years ago, never mind 50 or 60 years ago – or even a hundred.

Many of you will remember how we adapted in the 1970s when oil production in the Middle East was nationalised.

We then became pioneers in the North Sea and the North Slope of Alaska.

We adapted again in the 1990s through a series of mergers.

And of course we have transformed and reshaped our business again in the past five years.

So we have a long history of navigating uncertain times and coming out stronger – and we are doing it again today as we respond to the latest oil price shock.

We were among the first in the industry to say that the value we deliver to you as shareholders matters more than simply the volume of oil and gas that we produce.

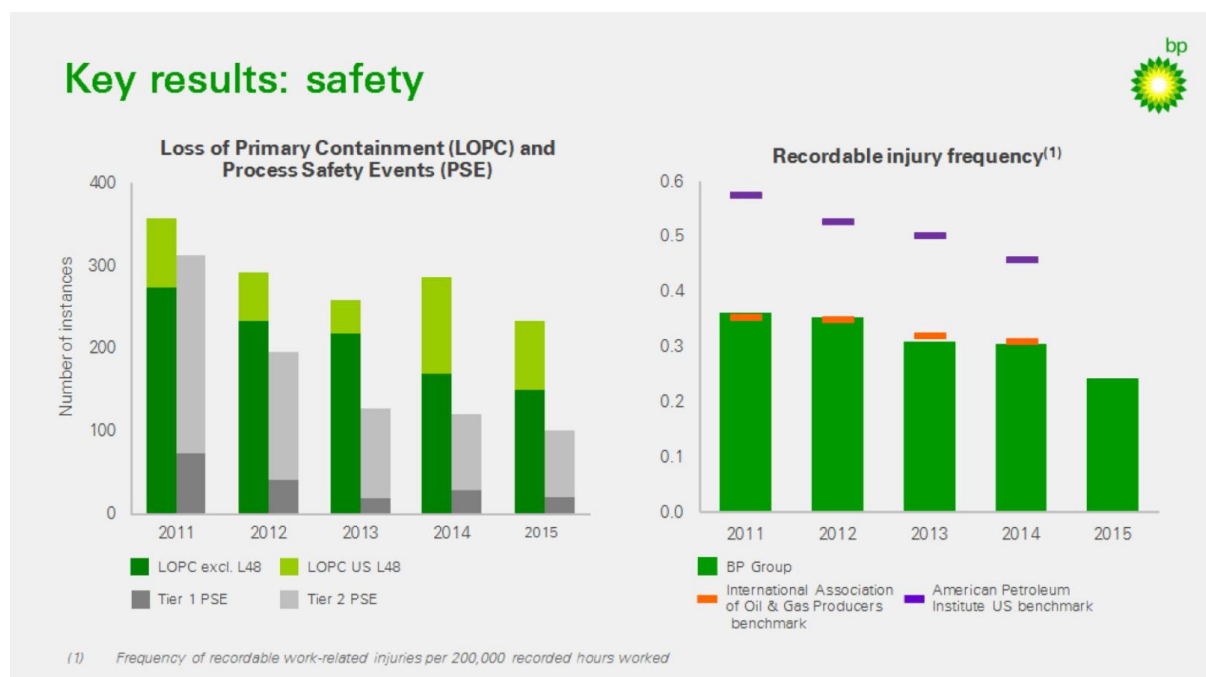
We took decisive action on safety – we got ahead on costs – and we focused hard on capital discipline.

But last year we had to respond again and redouble our efforts.

The oil price kept on falling and we've drawn on BP's distinctive ability to adapt and move quickly.

And I think the evidence is clear – BP and its people have risen to the challenge in an exceptional way.

So let me briefly take you through what we have achieved so far – and then what you should expect from us in the next few years.



Everything starts with safety – it's always our first priority and an area of relentless focus, from the boardroom to the oil platform.

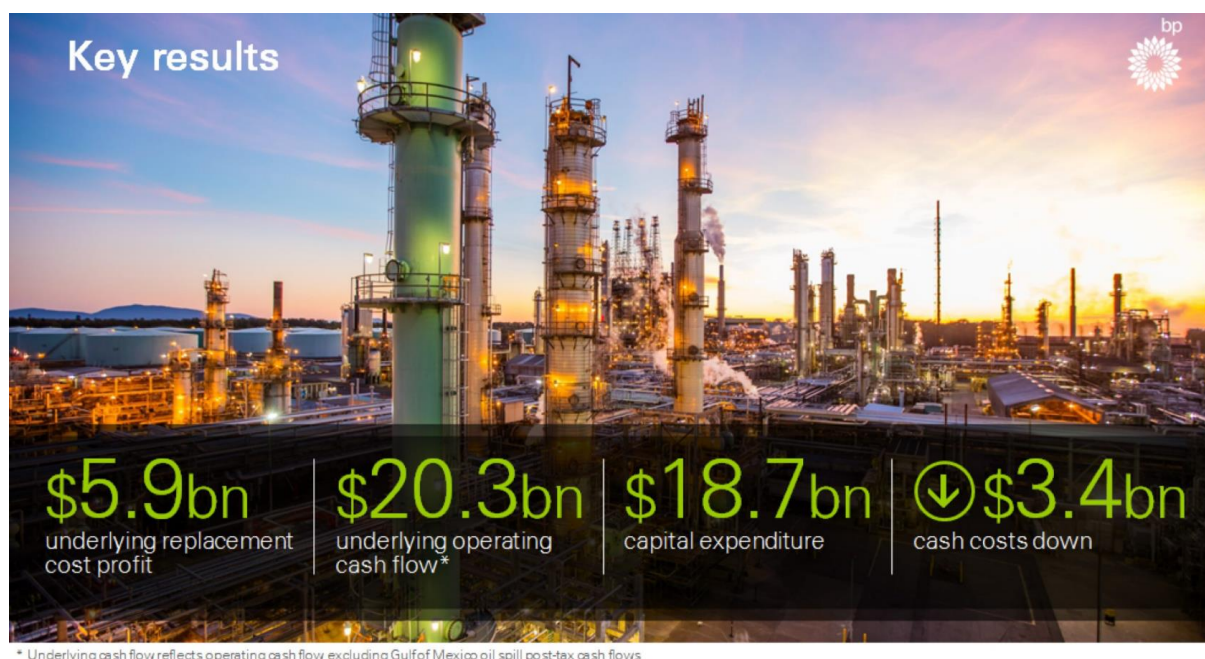
Our key safety measures are all better than a year ago and much better than five years ago.

- Process safety events are down.
- Leaks, spills and other releases are down.
- And the recordable injury rate is down.

So that's good progress – but we must keep it up.

And let's not forget safety is also good business.

By operating safely we operate more reliably and more efficiently – and we can generate better financial results.



And we can see the effects of improving safety, reliability and efficiency coming through in our 2015 results.

Our underlying profit of \$5.9 billion was 50% down on 2014 – as you might expect with oil prices also down by half year-on-year.

But our underlying cash flow remained strong at over \$20 billion – and our cash costs were down by \$3.4 billion on 2014.

This progress continues and we're on course for our cash costs to be nearly \$7 billion a year lower by the end of next year compared with 2014.

We are being very disciplined with our investments, reducing our 2015 capital expenditure by about 20% to \$18.7 billion – a fall of \$4.2 billion on 2014.

You will know that our headline result was a loss of \$6.5 billion. I think it's very important to recognise that this figure to a large extent results from a one-off charge relating to \$18.7 billion settlement of all federal and state claims arising from the Gulf of Mexico accident and oil spill.

The actual payments arising from the settlement will be spread over nearly 20 years and as Carl-Henric has said, this leaves us able to focus more clearly on the future.

We have also had to make some tough decisions on our headcount which will see quite a number of colleagues leaving the business.

These are always difficult decisions to make – but they are essential as we simplify BP, take out complexity, and make sure we are maximising the value of all of our operations.

Our Upstream operations have been affected most by the oil price – as you would expect – but the team are fighting back hard.

I'd like to thank Lamar McKay for the strong leadership he has shown in his time at the head of the Upstream business – and I know Bernard Looney will continue the good work as he takes over from Lamar as Upstream chief executive.



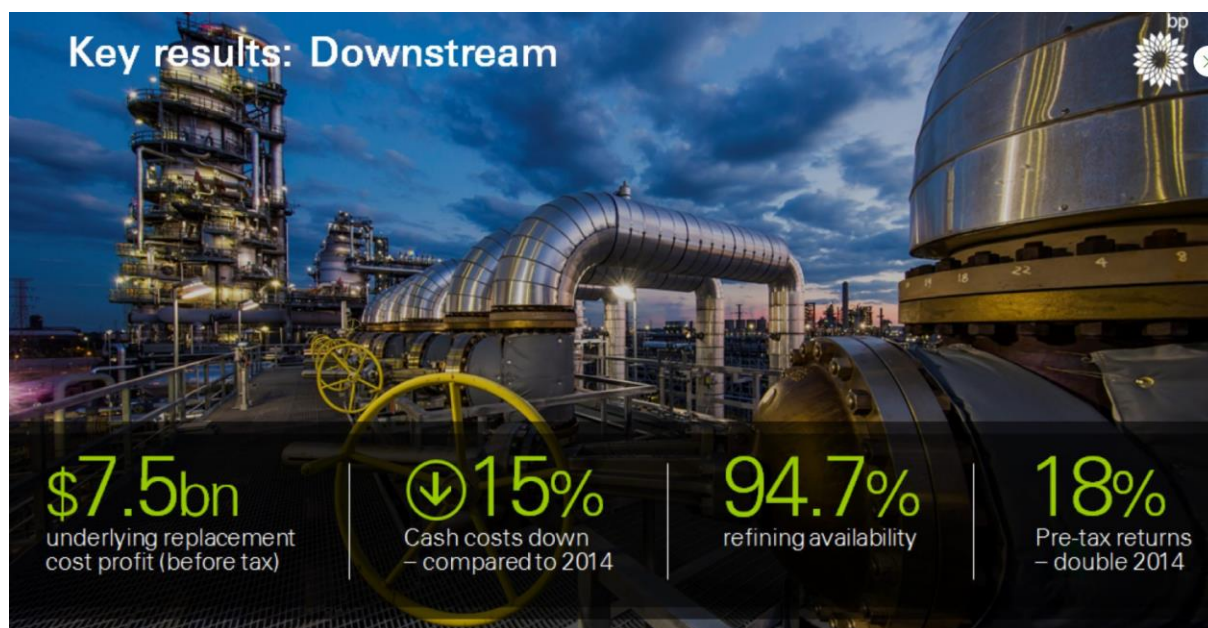
BP-operated plant reliability is up, drilling efficiency is up, and costs are down. In fact, Upstream unit production costs in 2015 were 20% lower than in 2013.

All that great work is contributing to production from our existing fields around the world staying above the levels of decline that you would ordinarily expect.

And looking ahead we continue building our positions, both in existing and new centres of production.

The Atoll discovery our explorers made in Egypt last year is being fast-tracked towards production by 2018. And in terms of access activity, we have some exciting opportunities. Just last month, for example,

I was in Beijing to witness the signing of BP's first shale gas contract in China.



In the Downstream, we had a great year – in fact a record year.

Of course, we could expect a lift in the downstream because a lower oil price means a lower cost of raw materials.

But what Tufan Erginbilgic and his team have achieved goes way beyond that.

Their action to simplify and streamline the business brought down cash costs by more than 15% compared with 2014.

The refining availability figure of 94.7% you can see on screen represents strong operational performance in our refineries where earnings doubled compared with 2014.

Year-on-year our fuels earnings grew 11% and our lubricants went up 20% - at constant currencies - and we grew our petrochemicals earnings by over \$200 million.

All of which contributed to record Downstream earnings in 2015 of \$7.5 billion pre-tax.

Not so long ago I used to hear a lot of advice about how we should separate out our Downstream business and sell it off.

I don't hear that so much anymore.

I'm going to come back to our Downstream in a moment, but first I want to look ahead a little.

As well as building resilience for today, we've taken action to grow value in the future – while still maintaining that resilience.

That is reflected in the number of big projects we have coming on stream between now and 2020.



Four examples of those projects are on screen at the moment.

Our Shah Deniz 2 gas project and the Southern Gas Corridor represent one of the largest energy projects anywhere in the world.

Development is around two-thirds complete and we will be delivering gas from the giant Shah Deniz field in the Caspian Sea all the way to Western Europe for the very first time – giving Europe a new source of supply.

In Oman, our Khazzan gas project covers an area twice the size of Greater London and over the next 15 years we will be drilling around 325 wells. It's a great example of transferring the technology and skills we have developed in the hard rocks of the US mid-West to some even harder rocks in the Middle East.

The project has been progressing well – and that is reflected the extension we signed with Omani government in February to make it 50% larger in terms of the gas that will be delivered.

Our West Nile Delta gas project continues over 50 years' of commitment to meeting Egypt's energy needs.

The team out there have just safely drilled a series of the best-ever wells in the basin following training and team-building in one of the world's most advanced drilling simulators.

Back here in the UK we remain committed to the country's energy needs.

Our Clair Ridge project West of Shetland is part of an ongoing £10 billion investment programme in the UK North Sea. The two Clair Ridge platforms are nearing completion and will start producing the first of an estimated 640 million barrels of oil towards the end of next year.

All four of these projects have some important things in common.

They will all be starting-up in the near term.

They will go on producing energy for the long term – decades in fact.

And that means they will be generating value for shareholders for decades to come.



Looking at the portfolio overall, what I really like is the balance. A well balanced portfolio is a strong and resilient portfolio.

We have about a 50/50 balance between oil and gas, with the balance leaning increasingly towards gas over the next five to 10 years.

We have a balance between onshore and offshore operations.

We have a balance between conventional and unconventional production.

And our shale operations in the US Lower 48 states are now showing significant improvements since we started to run that business in a way that's better suited to the unique conditions of that part of the industry.

We also have a balance geographically.

As well as our heartlands – like the UK, the Middle East, the Gulf of Mexico, Alaska, Azerbaijan, Angola – we have unique and distinctive interests in many other countries.

One of those is Russia, where we have deepened our long-term relationship with Rosneft beyond our major shareholding to work together on exploration and production.

As we know, Russia has some of the world's largest resources of oil and gas.

So while we are making necessary changes, we remain a truly global business, structured and balanced for both resilience and growth.

And at the same time as investing for the future, we also need to prepare for a future that will see a gradual transition to a lower carbon economy.

And 2015 was a real landmark year in this regard.

It culminated in the historic Paris agreement where many countries made pledges to reduce emissions.



Like many energy companies, BP wants to be part of the solution. I was in Paris in December and prior to that we joined the Oil and Gas Climate Initiative – the OGCI – which brings together companies responsible for over 20% of global oil and gas production.

Together we are sharing best practice and engaging with governments, and in BP specifically we are helping to address climate change in several ways.

One of the most important is to produce increasing volumes of natural gas, which has around half the carbon emissions of coal when burned for power. The OGCI estimates that we could cut total

energy-related emissions by 10% by switching all the world's coal-fired power stations to state of the art gas fired plants.

We are also a major operator of renewables businesses. We have a competitive wind business in the US with over 1,000 turbines generating enough electricity to power all the homes in Dallas – or the city of Birmingham here in the UK.

And in Brazil we operate three sugar cane mills that are now producing over three-quarters-of-a-billion litres of biofuel a year. I should add that companies cannot drive this transition alone. We need government to set frameworks that make lower carbon options more economical – and that is why in BP we also continue to call for a price to be put on carbon.

Another important factor in tackling climate change is producing ever more advanced and efficient fuels and lubricants.



I hope you have all recognised the advertising for our new fuel – BP Ultimate with ACTIVE technology.

We launched it in the UK last month.

It is our biggest fuel launch in over 10 years and it is a great product.

It doesn't just power your car. It cleans the engine from the inside and that can mean better fuel economy and lower greenhouse gas emissions.

I think that says a lot about who we are at BP.

We're driven by technology and innovation.

We're driven by our commitment to safety, quality and sustainability.

And we understand what is important to our customers, our shareholders and the people and places where we operate.

I hope that's what comes across when you read about us or hear from us – and when you shop and fill-up with us at our retail stations across the country.

We have a great retail business here in the UK – the partnership we have with M&S is going really well.

We also have partnerships with British schools and colleges to support education – and with museums and galleries to enable more people to enjoy the best of British art and culture.

We are a business that respects its history at the same time as looking a long way forward.

We're constantly looking to adapt and evolve by building on everything we have learned along the way.

Right now, I believe we are generating real momentum in a very challenging environment. We have been through such challenges before - and we will come out stronger.

Our current projects and programmes are delivering well – increasingly well. We have a great set of new projects coming through. And we also have a great set of options for the future.

So while conditions are tough today, we are well placed to go on delivering energy for decades to come – and to deliver value to you, our shareholders.

Thank you again for coming along today, and thank you for your commitment to BP.