

# 2017 Annual General Meeting: group chief executive

Bob Dudley

Group chief executive

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## Introduction

Thank you Carl-Henric, and good morning everyone.

We appreciate you taking the time to join us today.

This is an important occasion – an opportunity to look back over the past 12 months and ahead to future plans.

It's been a really busy year since we were last here together.

We've made a lot of progress.

We've continued to simplify the business with no let-up on our priority of safe and reliable operations.

We've continued to be highly disciplined with how we spend our cash and capital – and highly strategic at the same time.

As a result, our business is well-positioned and in good operating shape.

We're developing a strong and diverse portfolio – one of the best in the industry, I like to think.

We can look ahead to the future with confidence.

Let me now add some detail to that short summary.



Our full-year results for 2016 reflect the picture I've just outlined.

We generated an underlying profit of \$2.6 billion and operating cash flow for the year of \$17.6 billion.

Together these are good indicators that the business is operating strongly when seen in the context of the lowest oil prices for 12 years last year, and the lowest refining margins for six years.

We maintained our highly disciplined approach on managing outflows with capital expenditure \$8.6 billion lower than peak levels in 2013.

And our cash costs were down by \$7 billion compared with 2014 – a saving that was delivered a year ahead of schedule and which we continue to drive down.

Most important of all, safety performance has been good, with serious incidents down by 80% compared to 2011, and the injury rate down by 40% in the same period.

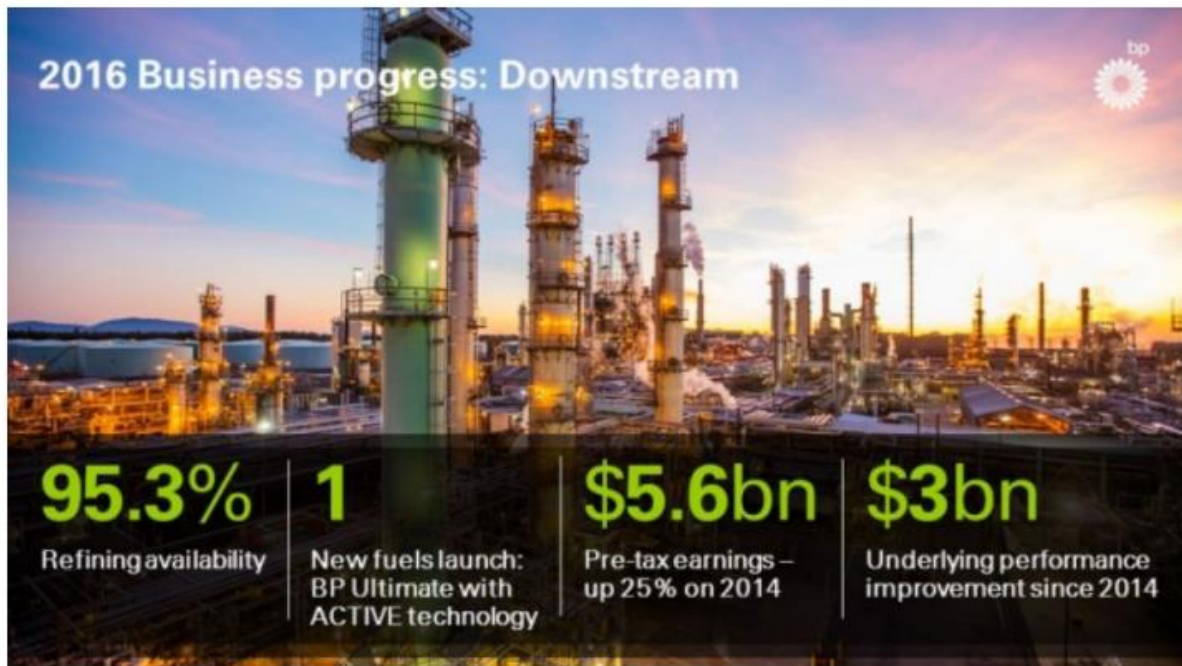


That strong performance has generally been consistent right across our businesses in 2016, despite the challenging oil price environment.

In the Upstream our reliability was at a five-year high and we also started-up six major projects, including the Thunder Horse South Expansion project in the Gulf of Mexico which was completed 11 months ahead of schedule and \$150 million under budget.

We continued to develop a range of innovative new partnerships across the globe, including the creation of a new business in the Norwegian North Sea, called Aker BP, and a strategic joint venture with CNPC to explore for shale gas in China.

And we have our distinctive partnership with Rosneft in Russia, which gives us a unique position in one of the world's largest and lowest-cost hydrocarbon provinces.



2016 proved to be another good year for our Downstream business, with earnings up 25% compared with 2014, despite lower refining margins.

That result includes \$3 billion of underlying performance improvement delivered over the past two years as the business continues to grow and improve its competitiveness and its resilience to market volatility.

We had a record year of earnings growth in lubricants, we've seen some recovery in our petrochemicals business, and our refineries were among the industry's top performers in terms of profitability per barrel.

Out on the roads, our convenience partnerships are proving to be a real success based on quality in the shops – with partners like M&S in the UK and REWE in Germany – and quality at the pumps with our new fuels with ACTIVE technology, now available in 13 countries around the world.



So in 2016 we continued to improve our performance and build our resilience.

It was also a year in which we began to set out and deliver on some clear priorities for the future, as Carl-Henric mentioned.

Global energy demand remains strong and growing, but abundant supplies of oil and gas are now a fact of life.

As a result the economics of the past are changing.

At the same time, the energy mix is changing as we move to a lower carbon world.

In BP we have a vital contribution to make to this transition.

Our fundamental purpose has always been to help power economic growth and raise living standards, but we need to do that while helping to drive the transition to a lower carbon world.

What you see on the slide are the four pillars of our updated strategy for the delivery of heat, light and mobility as the economic and environmental circumstances change over the next five years – the next 10 years – and beyond that to the longer term.



The first pillar recognises that oil and gas will remain important for decades to come – with rewards for the most efficient and competitive producers.

We already have a portfolio that gives us options for higher margins and lower cost production, and we have been actively managing and adding to the portfolio.

You may have seen that with the agreements we reached in Abu Dhabi and Azerbaijan at the end of 2016, under which we expect to be producing competitively in those regions and many others for decades to come.

We also recently sanctioned our Mad Dog 2 project in another of our heartlands, in the Gulf of Mexico. We can now go ahead on this project at less than half the investment cost originally proposed.

The cleaner-burning properties of natural gas mean it is going to be increasingly important as an energy source and we are already shifting our portfolio further towards gas.

We recently agreed expansions of major gas projects in Tangguh in Indonesia and Khazzan in Oman.

We bought a share of the giant Zohr gas field in the Mediterranean, adding to our strong position in Egypt.

And we formed a new partnership with Kosmos Energy to develop prolific gas discoveries off the coasts of Mauritania and Senegal in West Africa.

Just last week we announced a huge new discovery in this province.



The second pillar of the strategy is our Downstream, and you've already heard me talk about its increasing competitiveness.

We have a great range of advanced fuels and lubricants for cars, trucks, airplanes and other forms of transport which we continue to innovate all the time, as well as producing petrochemicals in increasingly hi-tech, lower-emission plants.

This combination of strong brands, with the strong relationships we have around the globe, gives us exciting prospects for growth.

We announced plans to partner with Woolworths to bring our highly successful retail and convenience partnership model to Australia, subject to regulatory approval.

And earlier this year we made a little bit of history by becoming the first international brand to open a retail site in Mexico following the country's following Mexico's energy reforms, opening the sector up to



overseas investment.

We plan to build a network of around a thousand or more retail sites in Mexico over the next five years, and we also entered a joint venture in Indonesia which is another growing market for our products. India also holds promise for BP as another potential market for growth.



The third pillar of the strategy will see BP advancing low carbon activities right across the business.

We already have a head start with a 20-year track record in renewables, having developed two great businesses in wind power and biofuels. We have about 6,000 employees in these businesses.

We are building on that experience on a number of fronts.

In the last few months we bought a plant in the US that is going to help with the commercialisation of the next generation of biofuels.

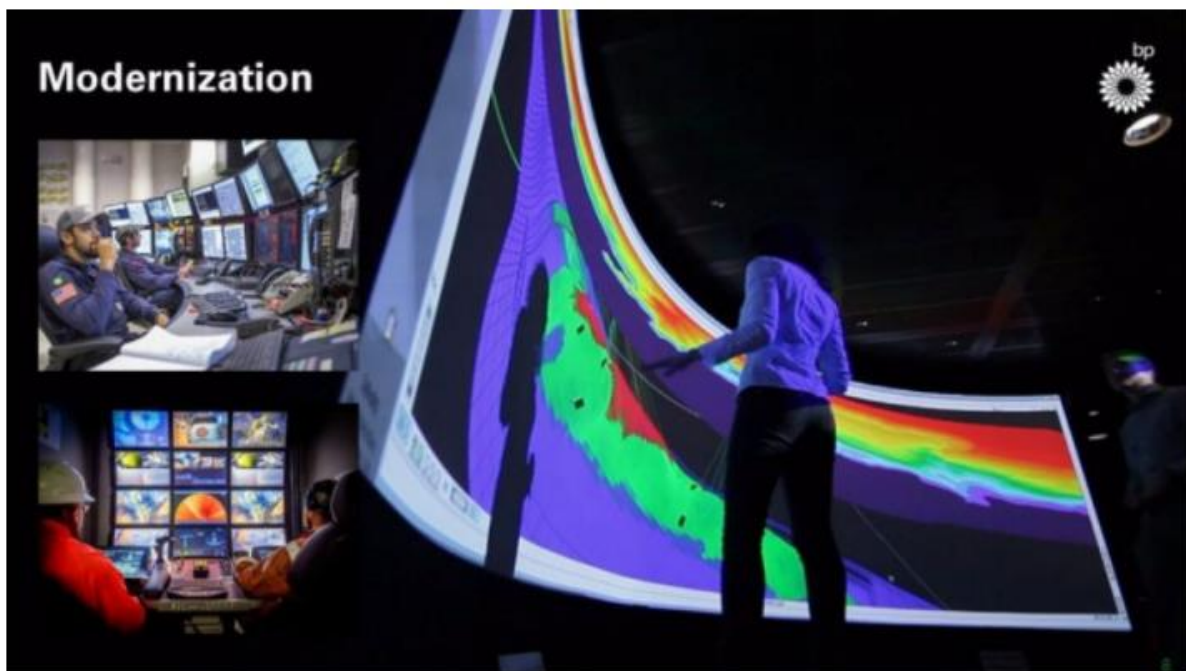
We've secured a long-term supply of biojet in a deal with Fulcrum BioEnergy, which is a sustainable aviation fuel.

And our trading arm has secured a supply of bio-methane, which is renewable natural gas produced

from waste.

Alongside this, our venturing arm is investing in technology companies with the potential to advance both low-carbon energy and industrial efficiency, from biojet fuel to solar and desalination technologies.

We will also keep working in partnership with others on industry-wide low carbon solutions, in particular through our part in the Oil and Gas Climate Initiative with nine other major companies.



The fourth pillar is the continuation of our activities to simplify and modernise BP from top to bottom - making sure we have the right structures and organization, as well as harnessing all the major technological advances that are already transforming the business and what we can achieve.

Just to give you one example, a BP engineer, anywhere in the world, can now get real-time alerts on wells based on processing almost a billion data points per second across our network - which has a very real impact on the speed, reliability and safety of what we can achieve every second, every day and quarter to quarter.



This momentum I've been describing has carried over from 2016 into 2017 and it continues to build.

Earlier this month we announced an underlying profit of \$1.5 billion for the first quarter of 2017, which is three times what it was a year ago.

Our underlying operating cash flow is also up, at \$4.4 billion.

And we are ahead of schedule on the delivery of our major upstream projects and with our downstream plans.

So 2017 is proving to be another really important year for BP.



We set out in 2017 with plans to deliver on seven major projects, six of which are gas projects, supporting that shift to gas in the portfolio.

We have two of these seven projects on line already, with two more imminent – including our big Quad 204 project in the UK – and we are right on track to deliver all seven by the end of the year. I was just recently in Egypt to celebrate the successful start-up of the West Nile Delta gas project where we brought that project in on budget, eight months ahead of schedule and with production rates 20% higher than planned.

The President of Egypt refers to it as a “national mega-project for Egypt”, putting thousands of people to work.

In addition to these seven projects we have another nine on track for start-up from 2018 onwards, with construction on average, ahead of schedule and 15% under budget.

Together with our recent portfolio acquisitions, these projects are expected to deliver an additional one million barrels of new production a day by 2021 compared with the 2015 base.

When our share of Rosneft production is added in, BP should return to being around a 4 million barrel a day business by the end of the decade.

To be clear, that volume is a measure of the confidence we have in our portfolio.

We continue to prioritise value over volume, exemplified by the 800,000 barrels of new production by 2020 from major projects that will generate cash margins 35% better than the base portfolio in 2015.



### Conclusion

I hope you have heard three main points so far this morning.

First, all our core businesses are running safely, smoothly and reliably.

Second, we have growth underway in the Upstream, the Downstream, Alternative Energy and in our trading arm.

And third, we have carefully thought-out plans in place to adapt to a changing future and to do so at pace.

In other words, across the business we are firing on all cylinders.

I am extremely proud of the BP team that has brought about this transformation over the past six years,

and of the partners and host governments with whom we share long-term and trusted relationships.

But, we must not lose sight of the fact that the environment remains tough, and uncertain, so we must maintain our discipline.

We also need to respond and adapt positively and with purpose to the changing fuel mix, taking opportunities at the right time and helping to drive the move to a lower carbon world.

I'm confident we are already doing that, doing it well, and in way that prioritises creating value for you, our shareholders.

Now, I hope you liked the short film we showed at the start of the meeting today.

Now that you have heard from Carl-Henric, and my comments on strategy, I think it is worth a second look.

If you listen to the words carefully, I believe it will bring the strategy that we've been talking about to life.

And I thank you for continued support for BP.