BP Statistical Review of World Energy 2016

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Hello everyone and welcome to the launch of the 65th edition of the Statistical Review.

Thank you to everyone joining us in St James's Square here in London, and to all of you around the world on the live webcast.

That is definitely something we didn't have back in 1952 when the first edition was published – a live connection on launch day to so many people across the globe.

I hope you've all been able to see the archive images that have been scrolling on the screens.

Actually, some things don't look so different. And so many things are still around today and keep getting better and better.

I think we can definitely include the Statistical Review in that category.

It has stood the test of time, and you get a lot more information today than you used to get in those early years – and we've tried to make it a lot more user-friendly, with workbooks, fact sheets and a range of online tools.

But deep down it still does essentially the same job we set out to do in 1952 – and that is to provide objective data to inform discussion, debate and decision-making across our industry and beyond.

We may already be half-way through 2016 – and it's been quite an eventful six months in the energy markets so far. But we also need the historical context to help gauge where we are heading and that's where the Statistical Review really comes into its own.

Spencer will take you through the data very soon, but I have three important jobs to do first.

The first of these is to say thank you to the very extensive team that is involved in gathering and compiling the data each year.

Spencer and the economics team here in BP do a really great job of that. But they depend so much on colleagues across BP, the team at Heriot-Watt University up in Scotland, and on the cooperation of people in governments and agencies around the world who share their official data with us. Thank you everyone for all you do.

The second thing – and I always find this interesting – is to summarise what we see as the key trends that have emerged or developed over the course of the previous year, and

2015 has seen some significant long-term trends coming to the fore in global supply and demand.

On the energy demand side what we are seeing is a gradual deceleration in the growth of global energy consumption.

Just to be clear, consumption is still going up year-on-year – and we expect that to continue for some decades. But growth is not going to be at the same extraordinary pace generated by globalisation of the past few decades – and by industrialization in China in particular.

Last year demand growth was just 1% – about the same as in 2014 – and that's much lower than the average for the past decade.

That partly reflects the continuing weakness in the global economy, driven by China where energy consumption grew at its slowest rate in almost 20 years.

Even so, last year China still continued as the world's largest growth market for energy – which it has been for fifteen years in a row now.

Turning to the energy supply side, the long-term trend coming to the fore here has been how technological advances are fostering growth in new and varied types of energy supply.

We're seeing that very clearly in the remarkable productivity gains made by shale companies, and also in the rapid gains made in renewables, particularly wind and solar.

These advances meant that natural gas, oil and renewables all recorded solid growth in 2015, with their gains made at the expense of coal. In fact, last year was the largest fall on record for coal, taking its share of the primary energy mix to its lowest level for 10 years.

So we have two contrasting trends of slower demand growth and solid supply growth, and we are all experiencing the affect these are having on energy prices.

Natural gas, oil and coal prices all fell sharply last year and that is feeding through into adjustments in the market – as you would expect. And that, actually, is a good sign for future stability.

There is one further positive sign emerging for the future, and that is on carbon emissions.

Last year saw a flattening in carbon emissions from energy consumption – they grew by just 0.1%. That was the lowest growth in emissions in a quarter of a century, other than immediately after the financial crisis.

That has come about from the combination of slowing demand growth and a shift away from coal and towards natural gas and renewables in the energy mix.

This is a very welcome development, but it is only a small step in the right direction given the scale of the challenge.

We have a long way to go in improving energy efficiency and shifting the fuel mix towards lower carbon sources and we're committed to playing our part in BP.

We are very focused on these issues as we continue to develop and adapt our business and make it resilient for the future – and we have 65 years' worth of solid data from the Statistical Review to guide our decisions as we do that.

So what does this latest edition tell us in BP specifically?

I think one big message is that in today's world, competitiveness matters more than ever.

With supply abundant, energy demand growth sluggish, and energy prices well below those of a few years ago, the success stories in our industry will be the companies that can produce and provide energy with the very highest standards of safety, reliability – and efficiency.

Safety remains priority number one, but after that we're putting value very much before volume.

We remain part of the US production boom through our increasingly competitive operations in the Lower 48 and our large Gulf of Mexico operations. And we are increasing the part we play in meeting the continuing growth of demand in China, India and other developing markets.

And all the time we are aligning the business with the world's evolution towards a lower carbon future – which we do through our ratio of natural gas to oil in the Upstream, which is increasing; our major wind and biofuels businesses; and our range of advanced fuels, lubricants and petrochemical processing facilities in the Downstream.

That brings me to my third and final job, and that is to introduce our chief economist Spencer Dale.

Thank you again Spencer for the great job you and your team do to put the review together. Let me hand over to you now to take us through the latest data in more detail.