BP Statistical Review of World Energy 2017

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Introduction

Hello everyone and thank you for joining us today here in St James's Square, London.

And welcome to everyone around the world joining us on the webcast.

Welcome to the launch of BP's Statistical Review of World Energy 2017.

My name is Lamar McKay, and I am BP's deputy group chief executive.

I'm afraid Bob couldn't be with us today.

But it does mean I have the privilege of opening proceedings for what is the Statistical Review's 66th year.

I have not been at BP for all those years, I hasten to add.

Quite a few, but not that many.

The first edition was back in 1952.

To put that in a historical context, it's the same year Princess Elizabeth II became Queen of the United Kingdom at St James's Palace - a short walk from where I am today.

So the stats review has a long history, and has undergone many changes down the years.

In the way it looks, how it is presented, and how it is accessed.

Today's live webcast is testament to that.

But whatever changes have taken place, the fundamental purpose of the Review remains the same.

And that is to provide objective energy data that begins discussions, fuels debates, and helps decision-making – for those in our industry and beyond.

And whilst the Stats Review doesn't contain all the answers, I like to think - and our stakeholders tell us - that it is a useful reference point on which to base future decisions.

The data contained within the Stats Review is extensive, as is the team behind it.

I'd like to take this opportunity to thank everyone involved in this year's project – with special thanks to our chief economist, Spencer Dale, and his economics team.

In a minute, Spencer will take you through his team's analysis of this year's data.

Before that, I'd like to whet your appetite with three of the key findings in what was another eventful year in the energy industry.

Key findings

First, 2016 was a year when we saw balance returning to the oil markets after an extended period.

This was brought about by two factors:

- Strong growth in oil demand, fuelled by another year of weak oil prices.

- And weak growth on the supply of oil, with non-OPEC supply falling sharply in one of the biggest declines we've seen for around 25 years.

That combination of strong demand growth and weak supply allowed the market to rebalance with the daily production and consumption of oil coming into balance in the second half of the year.

But that left oil inventories at record high levels and so there is still a long way to go until the oil market returns to anything close to normal.

Second, we saw a shake-up in the fuel mix with the rise of renewables and the continued decline of coal.

Renewable energy continued to grow rapidly at 12% in 2016, accounting for nearly a third of the increase in primary energy.

China contributed around 40% of the global growth in renewables – more than the entire OECD combined – and surpassed the US to become the largest producer of renewable energy.

On the flip side, coal consumption fell sharply for the second consecutive year and was at its lowest since 2004.

What's more, here in the UK, coal production and consumption fell back to levels last seen almost 200 years ago, around the time of the Industrial Revolution.

And in April of this year the UK power sector recorded its first-ever coal-free day.

All this comes just four years after coal was the largest source of energy demand growth, which highlights the sheer pace of the energy transition taking place.

Third and finally, the Stats Review estimates that the combination of weak growth in energy demand and the changes in the fuel mix means carbon emissions from energy use remained flat in 2016.

It's actually the third consecutive year in which we have seen little or no growth in carbon emissions.

This is good news and in sharp contrast to the strong rates of growth that we had got used to over the previous decade or so.

Much of the slowing can be linked back to the pace and pattern of economic growth in China. But how much of this improvement will persist into the future is still unclear.

We need to keep up our focus and efforts on reducing carbon emissions.

BP supports the aims set out in the COP21 meetings in Paris and is committed to playing its part in helping to achieve them.

Strategy and conclusion

So there you have the three main take-aways as I see it from this year's Stats Review.

To recap, we saw balance return to oil markets.

We saw the continued rise of renewables and decline of coal.

And we saw flat carbon emissions, driven by weak demand and changes in the fuel mix as we move towards a lower carbon economy.

That's the story for energy last year at a very high level, and it's one that has a real, practical purpose, certainly for those of us in BP.

It's a picture I'm personally very familiar with, having led the work we've been doing over the past year to update BP's strategy, which we shared with investors back in February.

So for example, in that strategy we are committed to shifting BP's Upstream portfolio to advantaged oil, by which I mean oil at high margin or low cost. And towards more gas, which is affordable, widely available, and a cleaner burning fuel that can help reduce the global carbon footprint at scale.

That shift is coming into immediate effect with six of the seven major projects due to come online this year being gas projects.

You'll see the trends also reflected in our Downstream business, where we have been developing and launching new, lower carbon products, like our new fuels and lubes. And we have a whole lot of research and innovation underway.

That includes around $200 million a year of venturing investment to create opportunities for innovative and viable low carbon solutions across a range of fronts.

And we are modernizing the whole of BP to drive efficiency and fully harness all the benefits of digitization, automation and the great wave of technological advances that are transforming the energy world.

That goes for the energy we use, what we use, how we produce it – and above all, how safely we can produce it.

With that in mind, let me now leave you in the safe hands of Spencer, who will take you through the Stats Review data in more detail.

And once again let me thank you Spencer, and your team, on a job well done on this year's Review.

Over to you, Spencer.