

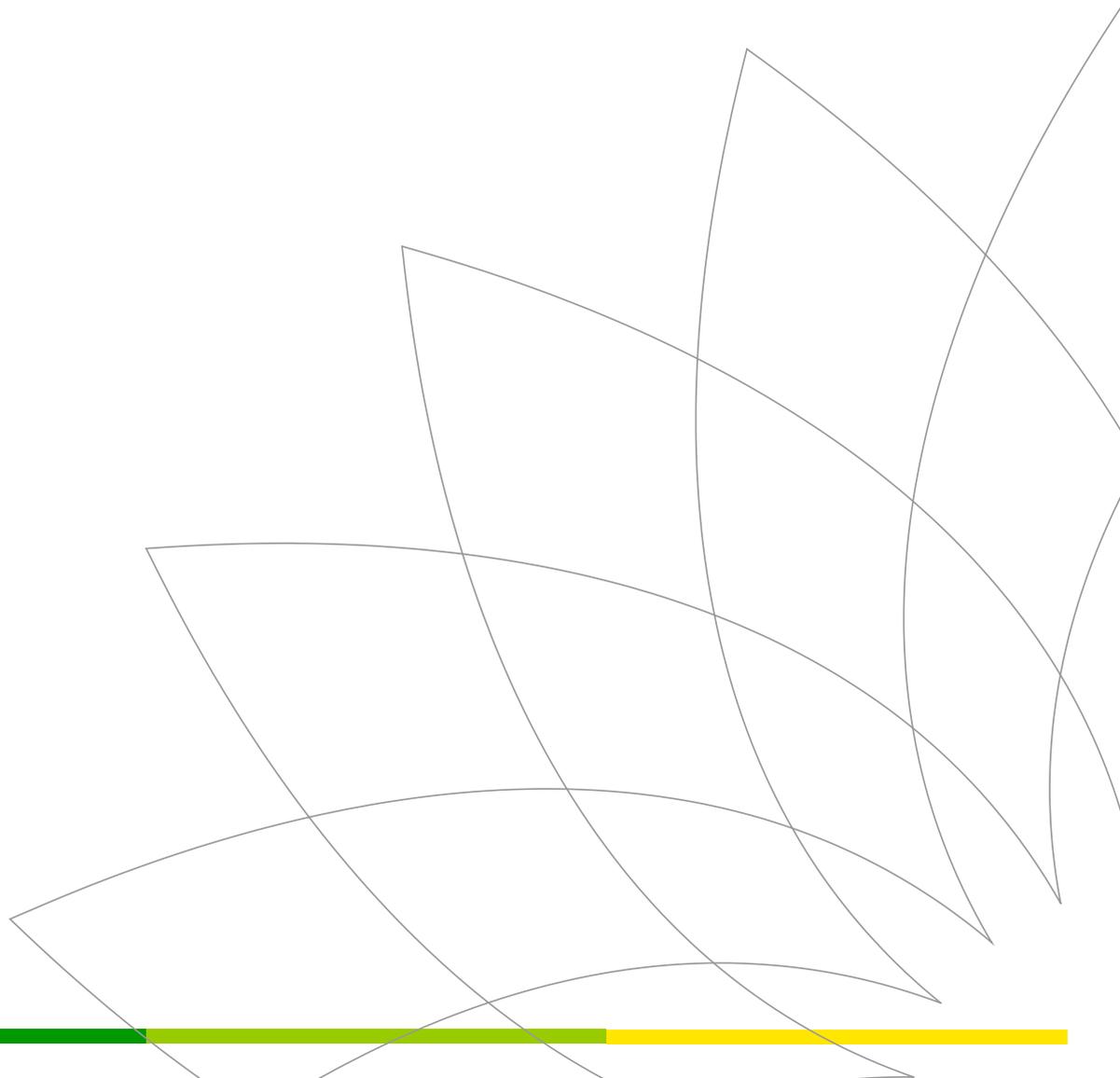


BP Statistical Review of World Energy 2018

Bob Dudley

Group chief executive

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Good afternoon everyone.

Thank you to those of you joining us here in London - and to everybody joining us on the webcast from around the globe.

It's great to see so many familiar faces in the audiences – and to welcome many new ones.

I think it's fair to say it's been a pretty eventful year since we met here last summer.

For a long-wavelength business like ours, a lot can happen in a short space of time.

That's why the Statistical Review is so important.

It helps us understand the past, manage the present, and plan for the future.

We hope it also serves to start discussions, fuel debates, and help decision-making - for those in our industry and beyond.

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 team.

Once again, they have produced a detailed and thought-provoking report.

In a moment, Spencer will take us through this year's findings.

But first, let me briefly highlight some of the significant changes.

Energy markets

The first of these is we have seen another year of robust demand growth for global oil markets.

On the supply side, we have seen OPEC and other participating countries maintain discipline in their production cuts.

The combination of robust demand and OPEC production cuts meant that oil inventories have fallen back towards more normal levels.

This adjustment helped firm up oil prices. Brent is up around 40% since last year, rising from below \$50 a barrel to more than \$70.

Also documented in the Statistical Review is the remarkable growth of US tight oil, which should caution us that the recent firming in oil prices is unlikely to persist.

Another significant short-term feature, highlighted in this year's Stats Review, is the strong growth in natural gas.

Natural gas was the largest source of energy growth in 2017. This was driven by China, where consumption surged by 15% last year, accounting for around a third of the global increase in gas demand.

We also saw another year of strong expansion of LNG supplies, helping to improve the accessibility of gas around the globe. The improving accessibility of natural gas, along with rising demand, should help to underpin its long-term use.

Energy transition

It's really important to keep the long-term picture in mind when considering these short-term changes - particularly when it comes to carbon emissions.

Prior to 2017, we saw three successive years in which there had been little or no growth in carbon emissions from energy consumption. Last year, those carbon emissions went up by 1.6%.

That's not the direction that we want to see emissions going, but it's important to see the uptick in 2017 in a longer-term context.

Some of the exceptional performance seen in recent years has been boosted by temporary, cyclical developments. So some reversal was always likely.

Spencer drew attention to the likelihood of that last year.

The good news is that the long-term structural factors influencing emissions continue to progress.

As well as the strong growth for natural gas, wind and solar both grew, contributing to a 17% increase in renewable power last year – higher than the 10-year average and the largest increment on record.

We also saw strong coal-to-gas switching, particularly in China.

Focus on the power sector

The power sector accounts for over a third of carbon emissions from energy consumption so coal-to-gas switching really matters for the energy transition.

Keep that in mind when Spencer gets to his section on power – I found the numbers quite shocking.

I leave that for him to reveal, but if there's one big message in this year's Review it's the opportunity to make real progress on carbon emissions in the power sector.

There is the potential to make a huge difference if policymakers go after the environmental rewards.

At BP we are keen to play our part.

We're growing our gas production.

We're also committed, along with our partners in the Oil and Gas Climate Initiative, to working on how we unlock the potential of Carbon Capture Usage and Storage.

And like many other energy providers, we also see a great future for renewables. We believe BP's investments in solar and wind energy can have a positive impact over time.

As you all know, BP is also a strong advocate for carbon pricing. We believe that would make energy efficiency more attractive, and make low carbon solutions of all kinds more cost-competitive.

As ever, our sector faces challenges. But we also see plenty of opportunities.

Informing decisions

To help us make informed decisions and position us for the next phase of the energy transition, we rely on understanding how our industry is changing.

To do that, we require timely and reliable data. This is the role that the Statistical Review has been playing for the past 67 years.

I certainly find it a helpful guide – and I hope you will too.

So with that, I'll hand over to Spencer, who will take you through this year's report in more detail.

Spencer....