



Energy Outlook - 2018 edition

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Hello everyone and welcome to the launch of the 2018 edition of the Energy Outlook.

We have a full auditorium here in London and I believe we have over 11,000 people joining us online all around the globe.

Thank you for your interest - we appreciate you taking the time out to be with us - I know how busy we all are right now.

Six weeks into the year feels more like six months.

I was in Cairo last week where we just started-up our first major project of the year.

We're producing gas from our Atoll field to power homes and businesses in Egypt less than three years' after making the discovery – that's really fast.

Our industry is also moving fast.

It feels like we used to have more time to think and to plan didn't we?

Whereas now understandably, we're all preoccupied with the day-to-day.

Future gazing may therefore seem like a luxury, but it's important to look ahead to the bigger picture.

That's the beauty of the Energy Outlook. It's why we ask Spencer Dale and his team to take the time to ponder, reflect and consider the trends that may shape the future energy landscape.

And as you'll hear from Spencer in a minute, we don't pretend the Outlook provides all the answers, but it does give us insight into the direction of travel. It's a great gift to have.

As you'll also hear, we've made a few changes to keep improving the Outlook's contribution to our understanding.

One of those is to look a little further ahead, out to 2040, which extends our view of the landscape over a full two decades.

I'd like to thank Spencer Dale, his team of economists, and the many contributors to this year's report.



He and his team have once again produced a first-class publication that I hope readers will find useful.

I'll hand over to Spencer in a moment for his overview of the findings.

I should say 'some of the findings' because as you'll see, there's even more information packed into this year's report than usual.

First though, I'll very briefly set the scene by outlining the three main themes that struck me on reading this year's publication.

Key themes

The first is the speed of transition underway.

I mentioned how fast the industry is moving right now. And it will continue to change as government policies, technologies and social preferences alter the way in which energy is produced and consumed in the future.

Predicting to a degree of certainty how these changes will turn out is a tricky business.

It's why this year's Outlook will consider a number of different scenarios - six in fact.

In doing so, it aids our overall understanding of the uncertainties.

The second key theme is that competitive pressures within global energy markets are intensifying as demand for energy continues to grow.

However, technological advances mean our ability to produce energy is growing ever faster – be that in unconventional oil and gas, or in renewables like wind and solar energy.

The continuing rapid growth of renewables means that in a couple of decades we can expect the fuel mix to be the most diverse ever seen.

This combination of diversity and abundance is going to mean the marketplace will be highly competitive for some time to come.

I firmly believe the focus on efficiency, reliability and a very disciplined approach to costs and capital is here to stay.



My third observation is that the speed of change and the diversification of the fuel mix is having a significant impact on carbon emissions.

The Evolving Transition scenario, which assumes policies, technologies and preferences, evolve in a manner and speed seen over the recent past, suggests that the growth in carbon emissions is slowing markedly.

That's the good news.

However, this slowing falls well short of the sharp drop in carbon emissions thought necessary to achieve the climate goals set out in Paris.

So there's much more to do.

The Outlook also shows that policies focussed on specific fuels and technologies around renewables and EVs are unlikely to be sufficient on their own.

As I tell almost every audience I speak with, we need to remember that a race to renewables will not be enough to meet the Paris goals, nor will it keep the world moving.

The race needs to be to lower emissions. So we should be agnostic about fuels and focussed instead on reducing emissions.

What's needed is a comprehensive approach encouraging both improvements in how efficiently we use energy as well as the continuing shift to a lower-carbon fuel mix.

In BP, we continue to believe that carbon pricing must be a key element of any such approach as it provides incentives for everyone – producers and consumers alike – to play their part.

Conclusions

So, those are the three themes I take from this year's report.

- The speed of transition.
- The intensifying of competition.
- And, most importantly, the need to keep downward pressure on carbon emissions.



While no one can say exactly how these trends will play out, the Outlook can help manage the uncertainties ahead to ensure we are fit and ready to play our role in meeting the energy needs of tomorrow.

It means we need to be ready to meet society's demand for more energy.

And we should be proud of that effort as it will help to lift billions more people out of low incomes.

But as we do this we need to continue adapting and working together to play our part in achieving the transition to a low-carbon energy system.

That is our dual mission.

And I am confident this industry is up to the challenge. I know BP is.

I hope you find this year's edition of our Energy Outlook a useful contribution to our discussions around all this, and the subsequent actions we take.

Thank you, and over to Spencer.