



Energy Outlook 2035 launch

Bob Dudley
Group chief executive

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Hello everyone. Welcome to BP, and to the launch of the latest edition of the Energy Outlook 2035.

And a particular welcome to everyone joining us online from around the world.

We're a global business and this is very much a global publication.

We couldn't produce it without help from people in many countries – and we share our forecasts in return. So thank you to everyone who has helped create these projections.

But I guess you might be asking – why are we looking at energy in 2035 when we have so many challenges in 2016?

We are in the middle of a prolonged and severe downturn in oil and gas prices. Among the worst I've known in my 35 years in the industry.

It has been a painful process adjusting, and the continuing weakness in the oil market is going to be with us for some time.

For some time, but not forever. This is not the first crash and it won't be the last. So we still need to take the long view.

And in fact it's at times like these that you really need an authoritative picture of the road ahead.

It's one thing to adapt to tough conditions. That's important.

But it is important to adapt in a way that means you're ready to meet the next set of challenges. That's why we need a clear sense of how the energy landscape might evolve over the next twenty years.

And that is the role of the BP Energy Outlook.

It's about lifting the focus from the here-and-now to look at where you are heading in the future.

With that in mind, let me just briefly pick out three trends in this year's Outlook that really stood out for me.

Energy demand continues to grow

The first of these is the projection for continuing growth in demand for energy.

There are strong forces driving this projection. In particular, the global economy will continue to expand, driven by the fast-growing Asian economies.

And as it does, more energy will be required to fuel these higher levels of activity and living standards – our forecast is a rise of about a third by 2035.

Faster gains in energy efficiency are curbing the rate of energy growth, and GDP growth is subject to some uncertainty.

But even so, significantly more energy will be required over the next twenty years to enable the world economy to grow and prosper.

The fuel mix continues to shift

The second notable trend is in the fuel mix.

Fossil fuels are likely to remain the dominant source of energy powering the world's economy, supplying 60% of the energy increase out to 2035 – and almost 80% of total energy supplies by that date.

Within those figures, gas remains set to become the fastest growing fossil fuel. Gas is very much the growing fuel of the early 21st century.

There are ample gas resources, especially with shale.

It is often competitive with coal.

It is increasingly being transported internationally.

And it is the cleanest fossil fuel, with major reductions in CO₂ possible when it replaces coal in power generation.

In contrast, the growth of global coal consumption is likely to slow sharply as the Chinese economy rebalances towards a more sustainable pattern of growth.

Renewables are set to grow fastest of all as their costs continue to fall, supported of course by the pledges made in Paris. But their current scale is small.

So even with rapid growth we foresee only about 10% of primary energy, or just under, coming from renewables other than hydro by 2035.

Carbon emissions are changing

The third big message for me is that the outlook for carbon emissions is changing significantly – and positively.

The rate of growth of carbon emissions is projected to more than halve over the Outlook period compared to the past twenty years.

That is driven both by faster gains in energy efficiency – or energy saving – and by the shift towards lower-carbon fuels – or energy-switching.

Despite this slowing of the rate of growth, carbon emissions are still likely to increase, indicating the need for further policy action. The trends we observe are not meant to be what we want, but what we see.

As you probably know, we believe carbon pricing has an important part to play as it provides incentives for everyone to play their part.

Conclusion

Those are just three of the fundamentals, and I'll hand over to Spencer in a moment to take you through the detail and the data.

But let me just say – the Energy Outlook has a very practical application in BP.

Take the three trends I've just mentioned – they are all reflected in BP's business today and our plans for the future.

We are continuing to invest in a very disciplined way to help meet growing energy demand.

You'll see that in a great set of projects starting up over the next five years and the strong portfolio we have to choose from for the future.

Looking at the energy mix, our portfolio is already around half natural gas and is heading towards more gas with some very big projects on course and on budget – in Egypt's Nile



Delta, in Khazzan in Oman, and Shah Deniz 2 in Azerbaijan, combined with the southern corridor pipelines to Europe. We could be 60% gas by the end of the decade.

And we are very aware of our part in the transition to a lower-carbon economy. More gas will help with that and we have a sizeable and growing renewables business as well as making inroads on efficiency.

So sure, 2016 looks set to be another tough year for our industry.

But we mustn't lose sight of the longer-term. Energy is a long wavelength business and you need a long-term perspective and that is what the Energy Outlook gives us.

I'd like to thank Spencer and his team and all the contributors across BP. They have worked very hard at gathering the data and analysis for the benefit of industry and policy makers. Again, thank you.

We hope that this edition of the BP Energy Outlook can make a useful contribution to all your discussions about future energy needs and trends.