



Oil and gas: changing for the future

Bernard Looney

Upstream chief executive

2 September 2019



Introduction

Lord Provost, Chairman, President, Kirstin, ladies and gentlemen – good evening. Thank you for the invitation here tonight.

It is great to be back in Aberdeen – and to join you in such magnificent surroundings. I know it is late so I will keep my remarks brief.

This wonderful place dates back to the 19th century.

I was not around then but like everyone in the city, I have developed a great fondness for this building. BP was proud to support its restoration and are delighted to see it returned to its former glory.

And just as the music hall is part of the fabric of Aberdeen, so is Aberdeen part of the fabric of BP.

We think of our business here as one of our crown jewels.

I myself have spent a lot of time here over the last few decades. It is actually where I started out in this industry.

I remember arriving here from Ireland 28 years ago this very week.

And my first stop was the Treetops hotel.

Taking pride in what we do

What the oil and gas industry has achieved here is extraordinary.

Right now, as we sit in these splendid surroundings...

...having enjoyed a delicious meal...

...there are thousands of people working out in these waters.

They are there because of what has been created in this city.

Engineers putting together giant, steel structures...

...towed miles out to sea...

...built to withstand waves the size of office blocks and winds the speed of express trains.

All the while, carrying out deeply technical work.

Drilling into rock hundreds, sometimes thousands, of metres below the surface with pinpoint accuracy and extracting resources locked beneath the seabed.

They can only do that because of the Granite City.

This hotbed of innovation and creativity...

...that nurtured and fostered an entire industry.

That is why I remain hugely optimistic about the future for this city and our sector.

Challenges and optimism

Let me expand on that.

The obvious place to start is that demand for energy is soaring, as economies around the planet rapidly expand.

All the data shows that increased access to energy improves living standards. That is particularly true in countries where average energy consumption is relatively low.

People drawing electricity...

...turning on air conditioning to escape insufferable heat...

...having the means to drive their own car...

...getting into a plane for the first time - 80% of the world's population have never been on a plane.

...plugging in their first mobile phone...

...accessing the internet.

Our industry carries out important work, with an important purpose.

The counterpoint to this is that many societies are becoming increasingly concerned about the type of energy we produce.

Emissions around the planet are rising at a time when they need to fall dramatically – and fast.

A significant part of that growth in emissions stems from the oil and gas that the world is consuming.

So from an energy perspective, how can we square the circle?

How can we provide the energy that the world needs and do so in a lower carbon way?

That is one of the defining challenges of our times.

It is also the reason I am so optimistic about the future of this great sector.

Why? Because there is no one better when it comes to innovation and problem-solving and overcoming challenges.

History of innovation

When many thought it was a fool's errand to look for oil in the desert, the founders of our industry proved them wrong – and transformed the global economy as a result.

During the 1960s and 70s when Europe was worrying about oil supply running dry, we found the answer and built an entire offshore industry.

And when the world began worrying about peak supply, our industry found a way to get oil and gas out of seemingly impenetrable rocks.

So challenges do not intimidate us. They motivate us. And they create opportunities for us.

Just look at what has been going on in recent years, as we adjusted to a new normal in the North Sea.

Commitment to North Sea

Looking forward, BP remains committed to this part of the world. We are continuing to invest here and we see a strong future for North Sea oil and gas.

And we are not alone. Scores of other companies are announcing new projects, new developments and new discoveries in these waters.

Of course, as the pressures and challenges affecting us change, so our businesses must adapt.

We cannot stand still.

We must constantly strive to improve.

To produce more energy.

To continue to make our product competitive.

And we have to continue to bring down emissions. It is the right thing to do – and it can only help to maintain our licence to operate.

All change

So what does that mean in practice?

In short, I think our industry has to do three things.

First, we have to modernise. That process is already underway but we all have to go further and faster.

Because while oil demand is expected to rise over the near-term, further out it could begin to plateau.

In a scenario where demand for our product is constrained, modernisation and efficiency will help keep us at the top of the industry – and ensure our barrels find a market.

Second, we have to drive down emissions. We are making head-way but we have much more to do.

That will mean improving our facilities and maintaining operating discipline – developing industry-leading projects, sometimes powering them with onshore renewable power.

But the future of sustainable oil and gas is predicated on the widespread adoption of Carbon Capture Use and Storage. We have the technology but we need to find a way to deploy it at scale. And we must engage and collaborate on CCUS, on hydrogen, on gas to wire.

Finally, we have to accept the changing role that oil and gas will play in the evolving fuel mix of the future.

Gas will take on a big part in the sustainable energy system of tomorrow.

Today it is being used to partner with renewables and help push coal out of the power sector.

Further out it can be used as a source of hydrogen.

And it will be a vital source of heat and power.

Meanwhile, the role of oil will also change. As vehicle engines become more efficient, EVs become more prevalent and other, new fuels are found, it will be used less in transport.

But demand could still remain substantial – and play a greater role in other, non-combusted uses, like petrochemicals.

That is OK.

Society can decide what it wants our products for.

Our job is to produce them efficiently and sustainably.

Conclusion

So before I sit down, let me just pull together some of these thoughts.

I have spoken about some of the challenges we face...

...how we might overcome them...

...and how we have to embrace change.

More than century ago – at around the time, the oil industry was taking shape -- the Russian writer Leo Tolstoy is credited with writing something along the lines of:

“Everyone thinks of changing the world, but no one thinks of changing themselves.”

I cannot say whether that was true back then.

And while that idea is probably relevant in many parts of today’s world, I do not think it can be said of our industry.

Because our industry does both those things.

We think about how we can change the world – as our product undoubtedly makes lives around the planet better.

But we also embrace change.

So, if I was to take Tolstoy's line and think how it could better apply to our industry...

I might say something more like:

We all think about changing the world. And that can only happen if we think about changing ourselves.

Thank you.