

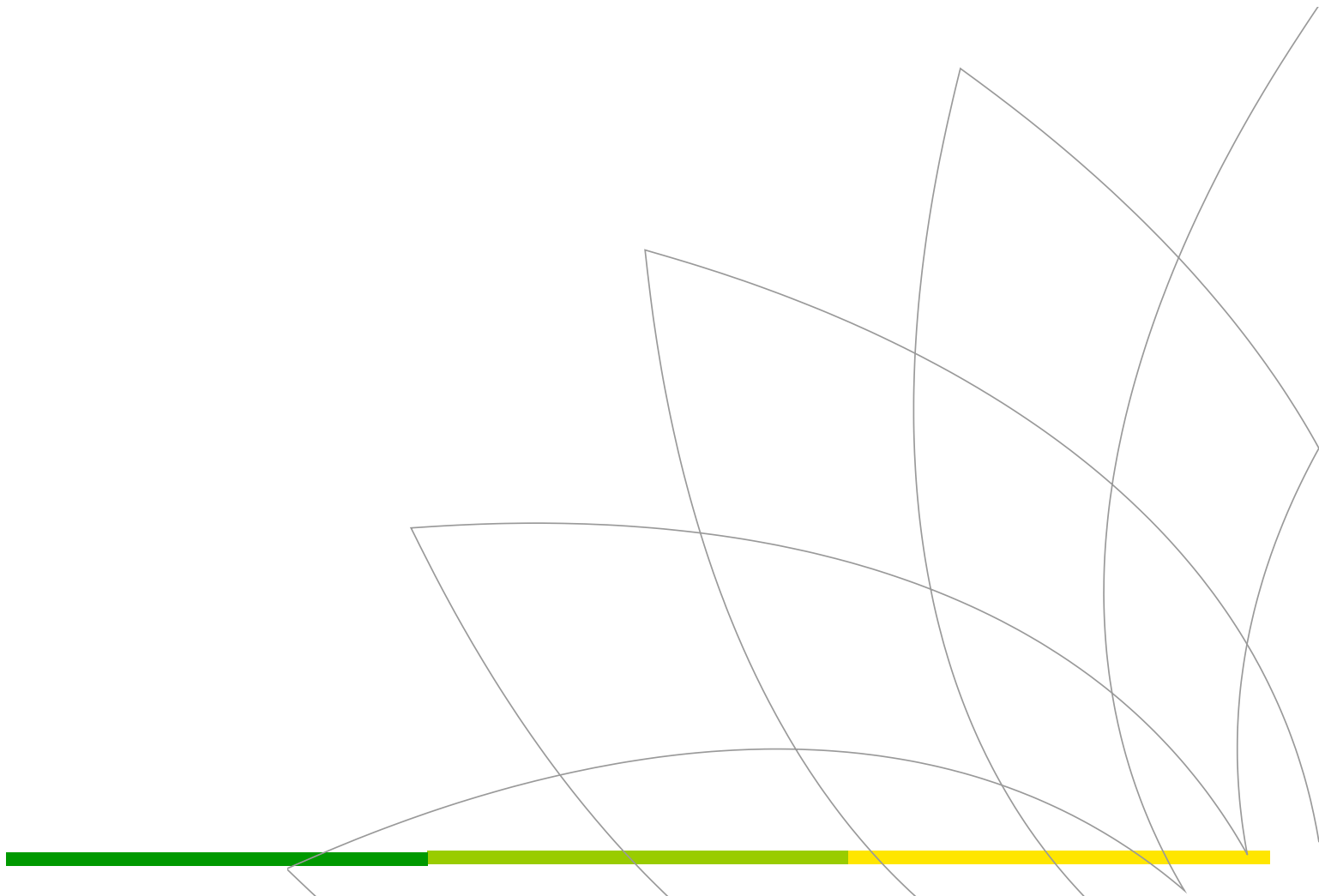


Our industry in crisis: weathering the storm

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Introduction

Hello everyone, thank you for joining us today at this extraordinary general meeting – which is extraordinary in so many ways.

Thanks also to everyone at IOGP for pulling together another great event – and amid such challenging conditions too... you've done us proud.

Of course, we'd all prefer to meet face-to-face but, given the circumstances, I'm so glad we can still come together like this.

What a year it's been.

I'm sure I'm not alone in thinking I've never known another like it.

Storm breaking

It feels like we're battling adversity from all sides.

A pandemic sweeping through societies around the world: triggering tragic health and mental health crises – with all of us worried for our colleagues and families.

Of course, there are the economic implications too – with GDP slowing in key markets, demand for oil and gas falling away - with commodity prices and stock markets following suit.

Then there's the geopolitical situation. An election in the US, following a campaign that's been described as the most divisive in history. And growing tensions in many countries, several of which are key energy-producing regions.

And all of this amid a backdrop of increasing wariness – if not outright criticism – of what we do. Societies in many parts of the world are considering a future consistent with the Paris goals – in many cases, striving for net zero by mid-century or earlier. Of course, that's welcome – it's vital – but it leaves many people questioning the role of oil and gas.

It's a lot to contend with.

And when I was thinking about how to talk about this today, my mind went back to a time when I was working offshore.

It was about thirty years ago. I was on the Bruce platform, out in the North Sea in the middle of winter.

A mighty structure, often referred to as the 'last of the dinosaurs'.

I'd been on there for a few days and it had all been fine.

But then, almost out of nowhere, this almighty storm came in.

Many of you have been offshore in conditions like that.

But it was my first time.

And it was terrifying.

30 metre waves... crashing over the platform

You were pretty sure everything would be OK.

But every now and then you'd be caught by a blast of gale force winds... or the platform would suddenly sway... or shudder as a wave thudded against it ...

And you'd start doubting.

Maybe this thing isn't as strong as I thought?

Perhaps this storm is stronger than expected?

Should we have been evacuated already?

But after a while, you get used to it.

You adapt.

And that reminds me of the conditions our industry finds itself in today.

We're like a fleet of ships.

All being hurled around on a rough sea.

We know where we're heading but the weather's so bad that we can't see the coast.

And we're all so focussed on survival that we can only concentrate on the here and now – staying afloat, rather than staying on course.

What's more, the weather forecast is bleak.

The coming months will be tough – very tough.

The IEA's latest World Economic Outlook said covid has caused more disruption to the energy sector than any other event in recent history -- leaving impacts that will be felt for years to come.

Still, even though this storm is greater than any other I've experienced, I believe it will pass.

It may not feel that way right now – just like on the Bruce platform. But I'm confident we will get through this.

And the question I want to ask today is -- when that happens -- what kind of industry will emerge?

The answer, I think, lies in how we act today.

Batten down the hatches

The first thing any mariner will tell you when there's a storm setting in is you need to prepare.

So you clear the decks and batten down the hatches.

You get the basics right.

For oil and gas producers, that means focussing on safety: it's the foundation of everything we do.

I'm pleased to say that IOGP members have been doing extraordinary work in this area. The industry saw an almost 20% reduction in the fatal accident rate in 2019.

Despite the distractions, we must continue to look after our people, our operations and the communities we operate in.

Beyond safety, we also have to maximise efficiency. Storms put you under pressure - they zap your energy and force you to work harder.

For us, it means driving down costs responsibly. Budgets are under pressure and all of us are reviewing our activities. A perennial issue in our industry but in these circumstances, we have to drive out inefficiency and focus our resources on the things that yield the greatest value.

So as we come under pressure, let's maintain a sharp focus on safety, efficiency and costs.

Get back on deck

Once we know we've made safe and got everything ready, we need to get back on deck and adapt to the harsh conditions.

How do we do that?

First, we need to get better at managing to live with the virus. Much of this is out of our hands. But science is developing fast. And with better testing and hopefully a vaccine and treatments, we can ramp-up our business activity and keep our people safe.

Second, we need to make our businesses more resilient.

Of course, we know our industry is already undergoing a major restructuring and reducing headcount.

It is always difficult to see colleagues leave. And as responsible companies, we should do what we can to support those departing – as I know many IOGP members are doing.

But while this is sad – it is also necessary.

The current market conditions are piling unbelievable pressures on us all. We need to respond to that in the short-term.

There are also longer-term issues at play.

The energy transition is underway and demand for oil is expected to plateau over the coming years. In some scenarios it's already peaked.

And we will no doubt see further volatility.

Anyone who has been in the industry for a while will have been through several cycles. And while we've always come through, it hasn't always been without pain.

So the more we can do to stop this yo-yoing – taps-on, taps-off approach the better. And it will help to make our businesses resilient to future energy market conditions.

This leads onto my third point about adapting to the current circumstances: winning over investors.

The continued low oil prices are a major factor weighing on our share prices. But I'm not convinced that's the whole story. I read a lot of commentary on how many investors were turning their back on oil and gas, even before the pandemic struck. There are several reasons for this but it was at least in part prompted by fears that demand growth is slowing and that Environmental, Social and Governance, or ESG, priorities puts pressure on traditional oil and gas businesses.

Whatever the shift in public debate – or investor appetite - we all need to show our shareholders that we are responsible stewards of their capital.

That we invest wisely.

Grow value.

And act responsibly.

Get ready for the skies to clear

The next step in how to get through the storm is preparing for the skies to clear.

We need to think about the kind of vessels that will emerge: how different are they to the ships that went into the storm? And are they still seaworthy?

Because even if market volatility and covid eventually eases off – the tide of the energy transition will continue. And we need to embrace that.

So let's take a moment to ask ourselves the questions that we need to have answers for in the years ahead.

First, have we got the right navigational equipment?

For me, this really comes down to purpose. Are we focussing on something that will unite our teams, drive us forward and ensure we are bringing our stakeholders along with us.

Second, have we got the skills we need to navigate the energy transition? There are several dimensions to this.

There are skills that we use today that will be just as useful tomorrow – so those of us exploring and producing oil and gas will continue doing so in the decades to come.

Then there are skills we have today that can be deployed in new areas – so all our experience in engineering, project management, finance and developing global relationships will remain useful however the energy transition unfolds.

And then there are skills which we will need tomorrow but maybe don't have enough of today. In areas like artificial intelligence, machine learning, quantum computing, hydrogen and more.

I have every confidence that we can draw on the deep skills and talent that already exist within our industry. But, we have more to do to retain and attract the brightest minds into the energy sector.

If anyone was looking for reassurance or optimism then look no further than IOGP's 2020 Outstanding Young Professional Award.

David Ochanda from Total won this year's award for his work raising awareness of biodiversity and ecological standards when exploring and producing oil and gas in sensitive areas.

My congratulations to David and the three runners up: Saul Moorhouse from BP, Shell's Delina Lyon, and Xeniya Yurkavets from Kazmunaigas.

Their achievements are a further reminder of the enormous potential that exists within our industry and the hugely positive impact we continue to have on the world.

Climate change

Of course, conversations about our longer-term future wouldn't be complete without addressing climate change.

I know this is a complex and challenging topic, with potentially far-reaching implications for our industry.

And if I'm honest, I believe we need to see more progress in this area, both within and beyond our industry. But I appreciate that individual members will not all be able to move at the same pace. And that's OK, so long as we're taking action and heading in the right direction.

After all, covid is a stark reminder of how challenging it is when our industry is forced to change by external factors alone. That's why where we can proactively and progressively take action we should.

So I encourage any activity to reduce our emissions, both from our operations - including addressing methane - and from other parts of our businesses.

As well as efforts to take a lead in technology that will help unlock future potential: whether that's scaling up carbon capture use and storage – or developing hydrogen as a viable business model for offering low carbon solutions.

The key here is that while it often feels like our industry is under attack, I actually don't think it would take much to tilt the scales in our favour.

Yes, we need to make some adjustments – and shift some of our investment patterns.

But as I have said before, we can and should be taking a lead in the energy transition – rather than waiting for change to pass us by.

Supporting the fleet

Which leads me onto the role that IOGP can play in all of this.

I've spoken of our industry as ships – making a journey across the open sea – as this storm breaks over us.

Well, IOGP is the support vessel.

We help keep the ships communicating with one another.

Checking they're OK.

Offering guidance and help.

We keep the flotilla together.

We do that in a number of ways.

We advocate for the industry and put forward common positions.

We offer a forum for collaboration and sharing best practices.

This took on an especially important role during the pandemic – not least, where we revised our safety protocols for helicopter transport and diving activity.

And through the life-saving rules, process safety fundamentals and common specifications for equipment we are driving standardisation across the industry, which everyone benefits from.

IOGP with other world-class associations is working hard to improve diversity across the industry: continuing to attract fresh talent – but also enabling everyone's voice to carry across the room.

Looking ahead, we've launched a strategic review into IOGP and what we do.

The review covers everything from what areas of the oil and gas value chain should fall within IOGP's remit... the challenges facing the industry... as well as our structure and membership.

I look forward to supporting the review and working with members to ensure IOGP continues to play the supporting, collaborative role we all want it to – and I firmly believe it will.

Conclusion

So to pull together some final thoughts.

The environment we find ourselves in is unprecedented.

There are plenty of uncertainties hanging over us – we're all having to run businesses while looking after colleagues and our families.

But terrible as this storm is... it will pass.

The dark clouds will break.

.And the seas will calm.

Just like it did on the Bruce platform back in the 90s.

As I thought about describing this – I came across this extract from the Japanese writer Haruki Murakami.

He describes this all-consuming, metaphorical storm. How getting out of it is difficult and confusing. How it's hard to tell when the storm is even over.

But then he says that one thing is certain. When you do finally emerge, you'll be a different person to the one that went into it.

I think there's a lot we can take away from that.

Because what we do today and over the coming months will affect how we rise from the challenge we're in now.

And I firmly believe that if we continue to do the basics right.

Adapt to the pandemic.

Become more resilient.

And prepare for a time when the conditions are calmer.

We'll come out stronger. More efficient. More integrated.

Better able to seize the immense opportunities that the energy transition presents.

And realise the transformative potential that oil and gas play in society.

Thank you.