

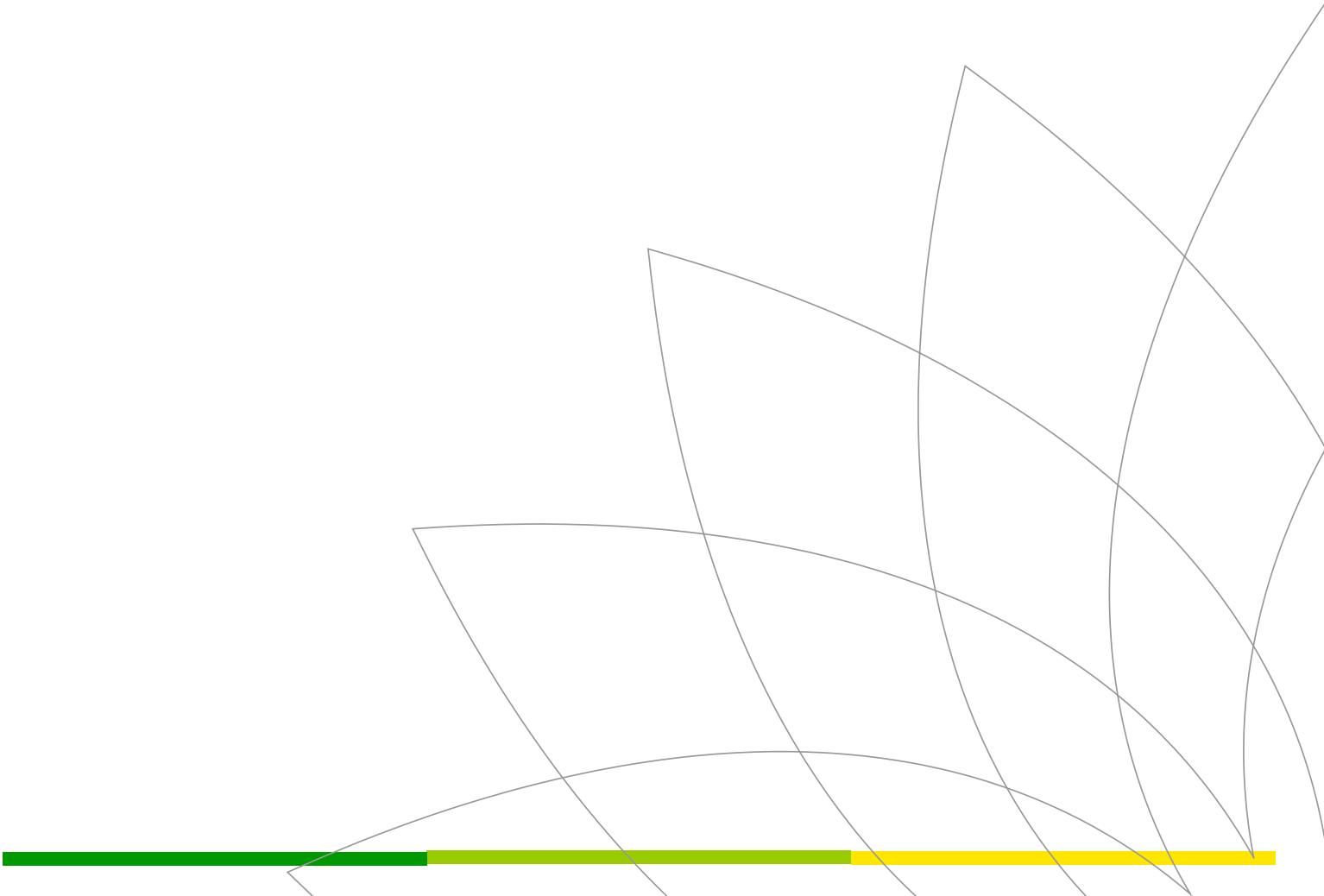


Progressive pragmatism: pathways to a common goal

Bob Dudley

Group chief executive

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Introduction

Good evening everyone.

It's great to be back at CERAWeek.

And thank you Dan for your kind introduction.

You and the team are putting on another great event here in Houston.

We gather at a time when the industry is in better shape than it has been for a long time.

Digital and big data are proving transformational.

We're getting even better at finding resources, and producing them in ways that were once unimaginable.

And we're doing it all faster and safer than ever.

We have also developed a level of discipline on costs and capital that I think is here to stay – one that's helping drive improving returns and is reassuring shareholders.

On top of that, demand for our products is growing.

On current trends, the world's need for energy is set to rise by around a third over the next two decades.

So, in many respects, the industry is in a stronger position today that it has been for many years.

But as bright as our future may seem, we are operating in a world that is not on a sustainable path.

How we respond will define our future.

We may be on track to meet the world's growing demand for energy.

But greenhouse gas emissions are expected to rise by around 10% over the next two decades, when they need to be falling dramatically.

So, the world is a long way off on emissions, unless there is a step change to correct our course.

That's what I want to talk about tonight.

- The nature of this dual challenge.
- How our industry can help solve it.
- And why that means we are part of the solution, not the problem.

The nature of the challenge

Before I get to the nature of the challenge, I want to address the growing concerns being expressed about it.

A few days from now there will be a major global event that exemplifies what I'm talking about.

Around the globe, tens of thousands of young people – maybe even hundreds of thousands – will take part in what is being called 'a youth-led climate strike'.

These are young people on the cusp of being able to vote.

They are tomorrow's legislators, regulators, jurists – and consumers, of course.

Here in the US, today's policymakers are talking about the Green New Deal and its proposal for 100% of power demand to be met from renewable and zero-emission energy sources in 10 years' time.

And shareholders are increasingly asking how our strategies relate to the Paris goals.

There is a rising tide of concern on many fronts about the lack of progress on climate issues – not just concern, anger.

I think we can all understand those frustrations.

It may not always come across as clearly as we'd like it to, but we also want the world on a more sustainable path.

Where we may differ is on the ways and means to get there.

So, how do all of us – industry, government and society – how do we work together most effectively to solve the challenge?

What are the actions that need to be taken?

Let's first remind ourselves of the Paris goals.

Article 2.1 of the Agreement calls for holding the increase in the global average temperature since pre-industrial levels to well below 2°C.

Then in Article 4.1 it says that rapid reductions in emissions – and net zero emissions in the second half of this century – need to be made in the context of sustainable development and efforts to eradicate poverty.

Remember, access to energy underpins both sustainable development and efforts to raise living standards.

So, taken together, the goals are in effect, the dual challenge that many of us have been talking about for some time – the need to provide much more energy, but with far fewer emissions.

Our latest BP Energy Outlook illustrates this challenge in a really compelling way.

It shows UN data on well-being in different countries along with average energy consumption.

It shows that 80% of the world's population today live in countries where increases in energy consumption are likely to go hand-in-hand with significant improvements in living standards.

And it's in developing nations where almost all the growth in energy demand is coming from over the next 20 years.

These are people striving for the kind of living standards we enjoy in abundance in the West.

Meeting that demand...

Helping people lift themselves out of poverty and low incomes...

Fuelling growing prosperity and the global economy...

That is what has always given our work a sense of purpose.

I'm proud of that, but it doesn't give us a blank cheque for carrying on business as usual.

We have to be just as focussed on meeting the emissions side of the dual challenge.

Action to solve the challenge

So how do we do both?

The bottom line is that it's going to require energy of all kinds, but done cleaner and better.

Renewables have a huge role to play.

As we all know, they are growing faster than any fuel in history.

In fact, they could account for half the growth in global energy supplies over the next two decades.

They could well be the largest source of electric power by 2040.

That's why many of us are investing in wind, solar, biofuels and other low carbon energy sources.

But the reality is that renewables will likely make up only a third of the total fuel mix by 2040, even by some of the most optimistic and ambitious projections.

That means two-thirds have to come from elsewhere.

Gas will be important for the mix given its abundance and affordability, its cleaner-burning properties and its compatibility with renewables.

Renewables with gas can drive coal out of power and industry.

We've all seen the impact that can have here in the US and it needs to happen in Asia especially.

Oil will still be a part of the mix too, particularly in transport and petrochemicals.

The International Energy Agency sustainable development scenario projects that in 2040, the world will need nearly 70 million barrels a day.

The IEA says you can have that amount of oil and gas and still be consistent with the Paris goals.

I'm not highlighting that number in an attempt to protect the market share for oil and gas.

I'm simply quoting the math done by a respected and credible source to illustrate what's required to meet the dual challenge.

Of course, the speed of the transition could be different.

The pace of growth of renewables has been regularly underestimated.

They could grow even faster than they already are.

New technologies could propel that.

Consumers could drive it through the choices they make and policy makers could dictate it.

Regulators could push harder to get coal out of power.

Lawmakers could impose more and higher carbon pricing, incentivizing efficiency and innovation and helping us crack the commercialization of carbon capture technologies.

Many of us have long been advocates of policies that would help advance a much faster transition than we're currently on track for.

Part of the solution

But because the future holds a lot of uncertainty, the industry tries to manage it through flexibility and agility in our strategies.

At BP we learned this lesson 20 years ago.

We moved early on renewables and found ourselves ahead of the market and ahead of the policy makers.

We lost a lot of money, but we didn't lose our faith in renewables.

In fact, tomorrow morning 5,000 people at BP will get up and go to work at our solar, wind and biofuels businesses.

But we learned valuable lessons from making those big bets.

We continue to invest in low carbon - to the tune of around half-a-billion dollars a year - but in smaller, smarter, very focused and disciplined ways.

Across the majors we are committing around 5% of capex on average.

That amount, relative to total capex, is often questioned.

And I get criticism for saying if I had \$10 billion to spend on low carbon businesses, I wouldn't know what to invest it in.

That's not for any lack of commitment. It's because low carbon has to compete for investors' money.

We get our licence to operate from society, but we get our capital from investors and it's our duty to spend it wisely and deliver the returns they expect, both shorter-term and long term.

In other words, we have to be progressive for society and pragmatic for investors.

At the same time, we need to be ready to move fast as the market changes.

We're not the big hulking ocean liners that some see us as.

We are a lot more nimble than people realise.

As an example, BP's capital employed is roughly \$145 billion and we invest around \$15 to \$17 billion in capital each year.

So we effectively turn over the balance sheet in around 9 years.

If you look specifically at our proved reserves...

We produce our developed reserves in under 8 years and have a track record of progressing our undeveloped reserves to production in just over 5.

That's why I'm confident that we can readily reshape BP however fast the energy transition unfolds – and I'm sure it's a similar story at the other majors.

That reshaping process is already underway.

The market and policy signals in areas like solar and electrification are already becoming much stronger and we are starting to lay down some bigger bets.

You've seen us do that with our Lightsource BP solar investment and the Chargemaster vehicle fast-charging acquisition in the UK.

Our flexible strategy allows us to make these kinds of adjustments as we see opportunities with greater clarity.

You'll hear more from us on that in the coming months.

Conclusion

Let me finish with this final thought.

I'm really optimistic about our future, but it is by no means guaranteed.

The dual challenge can be solved and we can help get the world on a sustainable path to a low carbon future.

Everyone has a role in making that happen – many different sectors of the economy, governments, corporations, consumers.

But our industry is critical.

I believe you came to a similar conclusion, Dan, in the new report you've put together with Ernie Moniz.

As your study argues, cleaner energy tomorrow will rely on energy companies today incubating new ideas, adopting new innovations and integrating them into their business models and consumer offers.

We have the relationships, the financial acumen and the engineering know-how to do that at scale and be pivotal in the energy transition.

But in order for us to play that role we have to continue to evolve.

We have to move from being pure-play oil and gas companies into broader energy businesses.

Our focus has to be on developing an energy system that is cleaner, better and kinder to the planet.

But we can only fully play our part if we have the trust of society and the confidence of our shareholders.

That means engaging more with the young people who will take to streets on Friday.

It means improving the dialogue we have with policymakers around the world, including those behind the Green New Deal.

And it means being increasingly open and transparent with our shareholders

Being part of a conversation much wider than one among ourselves – showing we are not only listening but hearing.

We need to demonstrate that we share the common goal of a low carbon future and that we are in action towards it.

The stakes are too high not to.