



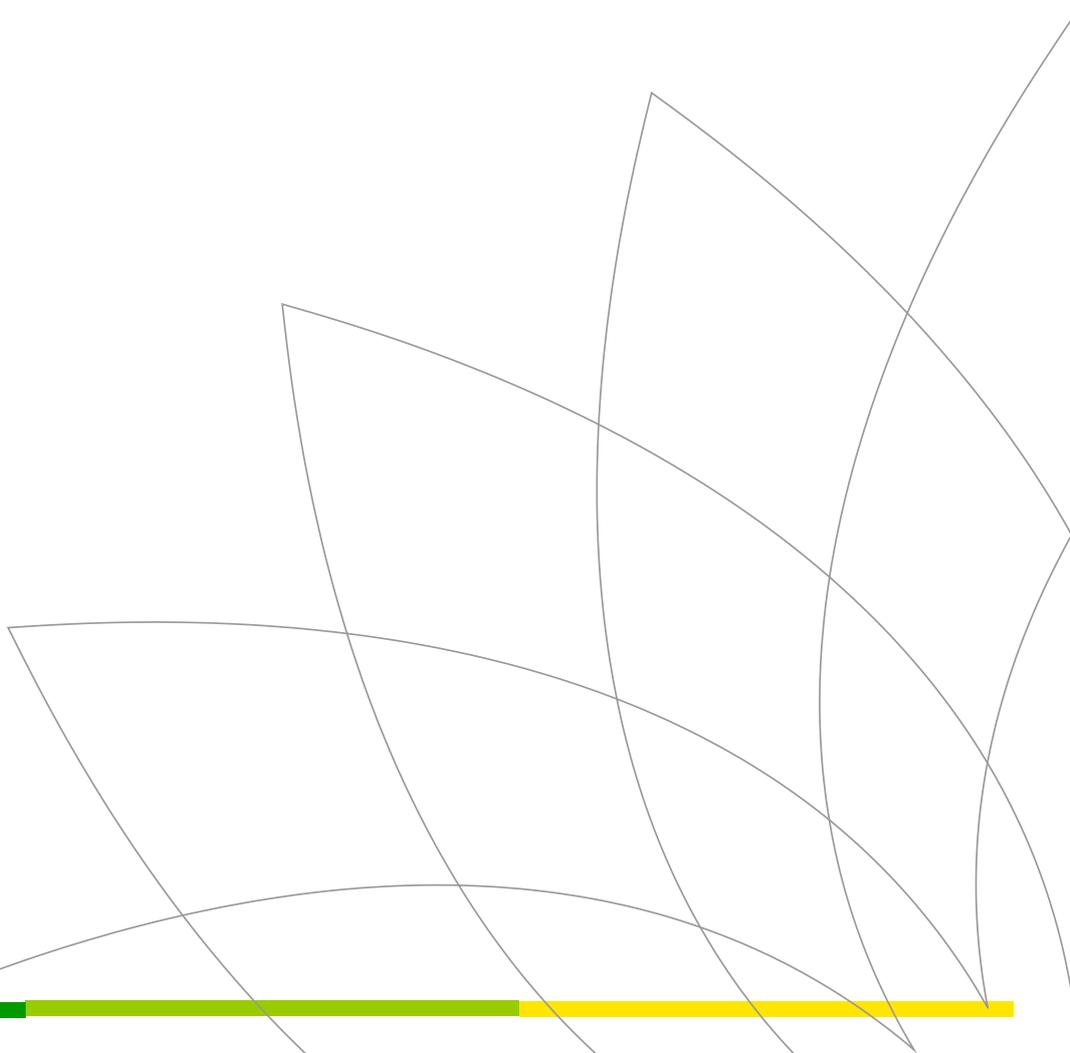
# Reimagining energy, reinventing BP

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12 February 2020



## 1. Introduction

This is only week two in the job for me.

So really early days.

But I have been thinking about today for some time – about what we need to do as BP.

I have been working with my team – planning, challenging, testing ideas and concepts.

We have been spending a lot of time on the road.

In India and China, Egypt and Turkey, Azerbaijan and Oman.

We have been to Russia, Germany, around the United States – and, of course, here in the UK.

We have been listening to investors, partners, policymakers, NGOs, academics, the media – and, of course, my colleagues at BP.

And everywhere I have been – inside BP as well as outside – I have come away with one inescapable conclusion.

We have got to change.

I do not say that lightly, because I love this company.

Since leaving Ireland in 1991 and joining BP I have met and worked with some truly remarkable people.

I joined as an entry-level engineer and have had a variety of different roles around the world.

I have seen the positive impact BP can have on communities.

I have been given chances to learn and develop – been given opportunities I could never have imagined growing up.

I owe everything to my mother's unshakable belief in education.

And to BP's belief in meritocracy.

Hence why I love this company.

But we have got to change – and change profoundly. We have to because the world is changing fast, and so are society's expectations of us.

But it is more than having to change – we want to change.

We want to change because it is the right thing for the world, and it is a tremendous business opportunity for BP.

That is what I would like to talk about today.

First, I am going to share how we intend to reimagine energy.

Second, I will explain how we will reinvent BP in order to do that.

And third, I will make clear our commitment to perform and deliver as we fundamentally transform the company.

That is our frame for today:

- Reimagining energy
- Reinventing BP
- Performing while transforming.

But first, let me start by explaining why we need to change. And why we want to change.

## 2. The case for change

It so happens that I am taking on this role at the beginning of a new decade.

The turn of the calendar has added significance for BP.

We have just closed out a decade of epic challenge.

The Deepwater Horizon tragedy in 2010 tested us to the core.

And a few years later, the oil price correction rocked the whole industry.

Bob Dudley's steady hand saw BP through both of those challenges.

We recovered, we returned to growth – and through it all we remained true to our values.

Ten years on, we are a safer, stronger and more disciplined company.

We learned some hard lessons we will never forget.

We learned we don't always have all the answers.

We learned we don't always get it right.

We learned we can't do everything on our own:

Relationships, partnerships, friends really matter.

We remember those lessons in this new decade, where the big challenge for BP is the one the world faces:

Climate change.

But we are seen by many as a source of the problem, and worse, an obstacle to solving it.

On my first day last week, a Greenpeace protest forced us to shut down our headquarters.

They are not the only ones who believe we are out of step with society.

Some investors do as well, and some of our own staff.

And that is an uncomfortable place to be.

Let me be very clear today - I get it.

The world's carbon budget is finite, and it is running out fast.

We need a rapid transition to net zero.

Society has got to deliver on the Paris goals.

I get the huge frustration, the anxiety – the anger.

I get that people want cleaner energy.

I hear that everywhere I go in the world.

Yes – it has to be reliable and affordable, of course.

But it also has to be cleaner.

At the end of the day - we all want and need the same thing.

Now some see that as a threat. A threat to our existence.

I see it differently.

I see opportunity – I see huge opportunity for BP to demonstrate we are a force for good in the world, and to grow and to thrive.

Over the next few decades, trillions of dollars are going to be invested in replumbing and rewiring the global energy system.

Currently, around 300 billion dollars a year is invested in new energies.

To keep to a 2-degree temperature rise, that has to become one trillion dollars.

For 1.5-degrees, it has to be 2.5 trillion.

As I said, the opportunity in providing the world with what it wants and needs is enormous.

### 3. Reimagining energy – purpose, aims, rebuilding trust

That brings me to the first of those three things that are at the heart of what I have to say today.

#### Purpose

Providing the world with clean, reliable, affordable energy will require nothing less than reimagining energy.

Today, that becomes BP's new purpose.

Reimagining energy for people and our planet.

Now beyond such a grand statement – what might reimagining the global energy system actually look like in practice?

Let's think about air travel for a moment.

Over 80% of the world has never been on an aeroplane. 80%!

Passenger numbers could double over the next 20 years.

And at the same time, the aviation sector is looking to cut its carbon footprint in half by 2050.

Or what about cities?

All over the world there is a mass migration to urban areas.

70% of the world will be living in cities by 2050.

And you have city mayors desperate for help cleaning up the air, electrifying transport systems and dealing with waste.

Imagine turning that waste into biojet fuel for the planes that fly in and out of those cities.

Growing cities need new homes, shops, offices. But cement production is responsible for up to 7% of carbon dioxide emissions.

What if you could build that new infrastructure with concrete that locks up carbon instead of emitting it?

Or how about capturing the carbon from big emitting industries like cement, steel or chemicals?

That is already a possibility.

Planning is underway on Teesside, here in the UK, for the world's first large-scale gas-fired power station with carbon capture technology built in.

Shared use by the local industry is part of the plans.

Here is another one.

Our solar joint venture, Lightsource BP, is going to provide the power for a steel mill in Colorado.

It will be the first US steel mill powered this way and it is going to save 1000 jobs at the mill and create 300 more building the solar facility.

These are amazing opportunities if they can be done at scale – and they are just a few examples of what we are already working on to reimagine energy.

But how do we turn that new purpose into reality? We do it by today announcing a bold new ambition.

An ambition which is underpinned by 10 aims.

## Aims

Our ambition is to become a net zero company by 2050 or sooner.

And to help the world get to net zero.

We have 5 aims to get BP to net zero, as well as 5 more to help the world do so.

Let me run through them:

Aim number 1 is to be net zero across our entire operations on an absolute basis by 2050 or sooner.

Aim number 2 is to be net zero on an absolute basis across the carbon content of our upstream oil and gas production by 2050 or sooner.

Aim number 3 is to cut the carbon intensity of the products we sell by 50% by 2050 or sooner.

Aim number 4 is to install methane measurement at all our existing major oil and gas processing sites by 2023, publish the data, and then drive a 50% reduction in methane intensity of our operations.

And we will work to influence our joint ventures to set their own methane intensity targets of 0.2%.

Aim number 5 is to increase the proportion of investment we make into our non-oil and gas businesses.

Over time, as investment goes up in low and no carbon, we see it going down in oil and gas.

Those first five are about getting BP to net zero.

The next five are to help the world get to net zero.

Aim number 6 is to more actively advocate for policies that support net zero, including carbon pricing.

That will include stopping corporate reputation advertising, like the Possibilities Everywhere campaign, and re-directing the money to promote net zero policies, ideas, actions, collaborations and our own net zero ambition.

Aim number 7 is to incentivise our global workforce to deliver on our aims and mobilise them to become advocates for net zero. This will include increasing the percentage of remuneration linked to emissions-reductions.

Aim number 8 is to set new expectations for our relationships with trade associations around the globe. We will make the case for our views on climate change within the associations we belong to and we will be transparent where we differ. And where we can't reach alignment, we will be prepared to leave. We will have more to say on this when we publish a report later this month.

Aim number 9 is to be recognised as an industry leader for the transparency of our reporting. Today we are declaring our support for the recommendations of the Task Force on Climate-related Financial Disclosures.

We intend to work constructively with the TCFD and others – such as the Sustainability Accounting Standards Board – to develop good practices and standards for transparency.

Aim number 10 is to launch a new team to create integrated clean energy and mobility solutions.

The team will help countries, cities and corporations around the world decarbonize.

## Getting to net zero

We believe these 10 aims - taken together as a package – set out a path that is consistent with the Paris goals and our new purpose.

But let me just focus for a moment on the significance of our first three aims – those specifically about reducing emissions.

We are aiming to be net zero on our operations by 2050.

We are also aiming to cut the carbon intensity of our products by 50%.

We are not the only energy company aiming to do those things.

Yet we, and those we have spoken with, do not believe that is enough.

So we intend to go much, much further with our aim to be net zero on an absolute basis across the carbon content of our upstream oil and gas production.

We are aiming to make absolute reductions, to net zero, of around 415 million tonnes of emissions – 55 million from our operations and 360 million from the carbon in our upstream production.

That is not far off the total emissions of the UK – the world's 6th-largest economy and the second-biggest national economy so far to set a net zero aim.

It is not a like-for-like comparison, but purely in terms of scale it gives you some idea of what we are taking on.

And we believe it is the right thing to do. The right thing for the following reasons:

It is what the world needs most of all: absolute reductions in the carbon content of fossil fuels.

It is simple to understand. We aim to reduce and neutralise the carbon in the oil and gas we dig out of the ground.

And it is logical. If this were to happen to every barrel of oil and gas produced, the emissions problem for our sector would be solved.

But of course, the world is not that simple.

We understand that.

The whole energy system has to be transformed and everyone has a contribution to make – producers and sellers of energy, policy makers and everyone who uses energy.

That is why we are aiming to help people reduce their emissions by cutting the carbon intensity of what we sell in half.

We will do it by offering people more and better choices of low- and no-carbon products.

And in that regard, BP is not starting from scratch.

We own the biggest EV-charging network in the UK.

We are an equal partner in the world's second-largest sustainable sugarcane bioethanol producer.

We have built up a significant wind business in the United States over the last 12 years.

And we are 50/50 partners in Lightsource BP – the solar developer I mentioned a few minutes ago.

It is an extraordinary business and I am delighted the CEO, Nick Boyle is here today.

Thank you for joining us Nick.

## Rebuilding trust

Let me introduce a bit of a reality check at this point.

I have no doubt that the pace and direction of travel we are setting out – as significant as it is – will be insufficient for some.

I know many may doubt our intentions, based on seeming inconsistencies between what we say and what we do, in areas like lobbying on carbon pricing and methane regulations.

Many question our motives in supporting the arts.

I get that.

We are taking steps to more firmly and visibly align our intentions with our actions and become much more transparent.

We won't get everything right immediately, I know that.

So, if anyone sees BP acting counter to what I say today, then I want to hear about it.

I believe earning back people's trust is essential if we are going to stand a chance of fulfilling our purpose.

That starts with being completely frank with each other.

Admitting when we have got it wrong or don't know the answer.

And I for one won't have all the answers. But it might be helpful if I try to anticipate some of the questions that you might have.

First, the big one: does this mean BP is getting out of oil and gas?

What I can tell you is we will increasingly focus our investments on the highest quality barrels and drive returns and cash flow, not production volumes. And with that, you can expect oil and gas production to decline gradually over time.

Does that mean we will be producing and refining hydrocarbons in 2050?

Yes – very likely.

Does that mean we will be producing and refining less of them by 2050?

Yes – and our aim is that any residual hydrocarbons will be decarbonized. And in a world that is serious about net zero, they will have to be.

But we can only reimagine energy if we are financially strong, able to pay the dividend our owners depend on – and generate the cash needed to invest in new low and no carbon businesses.

Next question

Are we committing more capital to non-oil and gas activities?

Yes, we will, over time.

But the goal is not to spend more money, it is to invest wisely – into businesses that will make a difference to the world.

Businesses we can develop at scale...

In areas where we have unique capabilities, where we add something...

And where we can deliver competitive returns.

We don't plan to commit to an arbitrary or pre-set number.

But make no mistake, we aim to invest more and more in low carbon businesses over time – and less and less in oil and gas.

We will come back to what those businesses might look like in September.

That brings me to one more question for now...

Where are the near-term targets to back up our long-term ambition?

I appreciate you want more than a vision – you want to see milestones, near-term targets, some ways to measure progress.

As I said at the start, we do not have those for you today.

But we will have more to say in September, and in the months and years to come.

I will say this now though – we don't expect progress to be a straight line.

But make no mistake...

The direction is set.

We are heading for net zero.

There is no turning back.

## 4. Reinventing BP

That brings me to my second core theme for today – reinventing BP.

Why would we do that when, arguably, we are in our best shape ever?

We are performing more safely, more reliably, more efficiently than ever.

The strategic choices and the investments we have made over the past 10 years are paying off.

And as a result, we are heading into a period of growing free cash flow.

We are in great shape – and we need to be!

The demands on us are greater than ever.

People are demanding more choice, more convenience and more flexibility.

The demands of our investors are changing as well, as they increasingly prioritise sustainability alongside performance.

We heard that from Larry Fink of BlackRock in his latest letter to CEOs.

BlackRock is putting sustainability at the centre of its investment approach – as are many of our big shareholders.

The demands of governments are also changing as they look to energy companies to help deliver their own net zero agendas.

We want to support Prime Minister Boris Johnson and his government here in the UK with its net zero target by 2050.

We want to support Ursula von der Leyen and the EU Commission as they work through the detail of their ambitious European Green Deal.

COP26 is fast approaching and we want to support governments and industry sectors all around the world as they come to Glasgow with new low carbon aspirations.

We asked ourselves if we have the right model to deliver for the changing demands of consumers, investors and governments.

The answer was no.

So, after many decades, we will be retiring the upstream/downstream model that has served us so well. And we will replace it with one that is more focused, more integrated and that faces the transition head on.

We will focus on four core capabilities: operations, customers, low carbon and innovation.

Gordon Birrell will head up Production & Operations. It will be the operational heart of BP, bringing BP's operations together in one place to focus on driving safety, efficiency and value growth.

The Customers & Products business group will focus on customers as the driving force for the energy products and services of the future.

Emma Delaney will head up the business and focus on customer experience and expansion in rapidly changing markets.

Our new Gas & Low Carbon Energy business will unite various energy teams currently dispersed around BP to create focused low carbon solutions.

It will also pursue the development of decarbonization technologies and potential moves into new value chains such as hydrogen and CCUS.

Dev Sanyal will lead that business.

Innovation & Engineering will bring added momentum and transparency to our venturing and Launchpad investments and be a catalyst for creating value from disruptive opportunities, such as Digital. It will also house our engineering discipline and a safety and operational risk team focused on assurance.

David Eyton will lead the team.

These four highly focused business groups will work with three integrators, which we are elevating in importance to facilitate collaboration and unlock value.

Strategy & Sustainability will ensure that sustainability is embedded at the top of the organisation and will form a single group-wide approach to strategy and capital allocation.

Giulia Chierchia will lead that team. Giulia joins BP from McKinsey and is our first external hire at this level in over a decade.

I strongly believe that fresh thinking from outside the company will help us.

Regions, Cities & Solutions, as the name suggests, will build relationships with regions, cities and large corporations, looking to develop the integrated energy and carbon solutions that can bring emissions down at scale.

Leading the team will be William Lin.

Trading & Shipping will be run by Carol Howle and will harness the deep expertise we already have in our existing trading and shipping businesses. These are areas where BP already has world-leading expertise in the integration of businesses, customers and markets. By elevating its position to the top of our new structure it can more effectively help the whole organisation capture new commercial opportunities and add value.

Finally, four teams will serve as enablers of business delivery.

Finance will be headed by Murray Auchincloss.

Legal will be led by Eric Nitcher.

People & Culture by Kerry Dryburgh,

Communications & Advocacy by Geoff Morrell.

Together, the leaders of each of these 11 teams will form the new BP leadership team and they are all here today.

These are all exceptional, purpose-driven people.

It has been a privilege to work alongside them on the ambitious goals we have set ourselves.

Their immediate job over the next two quarters is to establish their teams and develop our new strategy.

I am confident that our new leadership team, along with all our people, have the skill and the will to ensure BP grows and prospers, and competes and wins, on the way to a net zero world.

## 5. Performing while transforming

I recognize that we are taking a lot on – and we need to be very thoughtful as we work through this.

That is why at the start – alongside reimagining energy and reinventing BP – I gave equal emphasis to BP performing while transforming.

I want to reassure you that – as committed as I am to this transformation – I am equally committed to some fundamental principles that have served us well.

First, our commitment to safe and reliable operations remains unchanged.

Safety will always be our core value and I believe our new structure will strengthen safety performance.

And second, our investor proposition remains unchanged – and will remain unchanged in September, when we lay out more detail on our near-term plans.

This includes our commitment to:

Growing sustainable free cash flow and distributions to shareholders over the long term.

Maintaining a strong financial frame – including the focus on deleveraging of the balance sheet and capex staying within a disciplined frame of \$15-\$17 billion.

Delivering on our 2021 free cash flow targets.

And staying focused on costs, driving waste out of the system and pursuing efficiencies.

A lot of work has gone into this to-date, but we have a lot more to do.

There will be change, and many of you will want to hear more...

Where are the nearer term milestones?

What are the businesses you are going to grow?

How competitive are they?

How big can they be – and by when?

As I said earlier, we will share more with you over time – with the next instalment in September. This is a multi-year journey. Today is just the beginning.

## 6. Conclusion

To sum up then, this is, we believe, a big moment in BP's history.

We are changing, and I hope I have conveyed some of the excitement we have about that.

We will still be an energy company – but a very different kind of energy company.

Leaner, faster-moving, lower carbon, and more valuable.

On the way, we are aiming to earn back the trust of society – to be wanted, not just needed.

We are aiming to be valued by our shareholders as a force for good as well as a provider of competitive returns.

And we are aiming to be a motivating, inspiring place to work for all the exceptional people at BP, and the generations that come after them.

This is not going to be easy. But nothing worthwhile ever is.

We are better because of your challenge, your willingness to engage, your beliefs.

Dialogue matters. It is about solutions not positions.

That is what the world needs more than ever.

My mother told me that we were given two ears and one mouth, and we should use them in that proportion.

So apart from a very brief recap, let me try to follow that good advice.

From all I have said, these are the three things I hope you take away today.

First, BP is setting out to be a net zero company by 2050 or sooner, as well as helping the world get there.

Second, we are taking on a fundamental reorganisation of the company – possibly the most wide-ranging in over a century.

And finally, we commit to performing while transforming – operating safely and reliably as well as delivering on the promises we have made to our shareholders.

Thank you to all of you for listening, I really appreciate it.

Now I would like to ask Alix Steel to join me on stage.

Some of you, no doubt, already know Alix, who covers our industry for Bloomberg.

She has kindly agreed to put me on the spot with her questions and then moderate a session for yours.

Alix - over to you.

**Cautionary Statement:**

Please refer to the cautionary statement in BP's [announcement](#) regarding its ambition and aims, dated 12 February 2020.