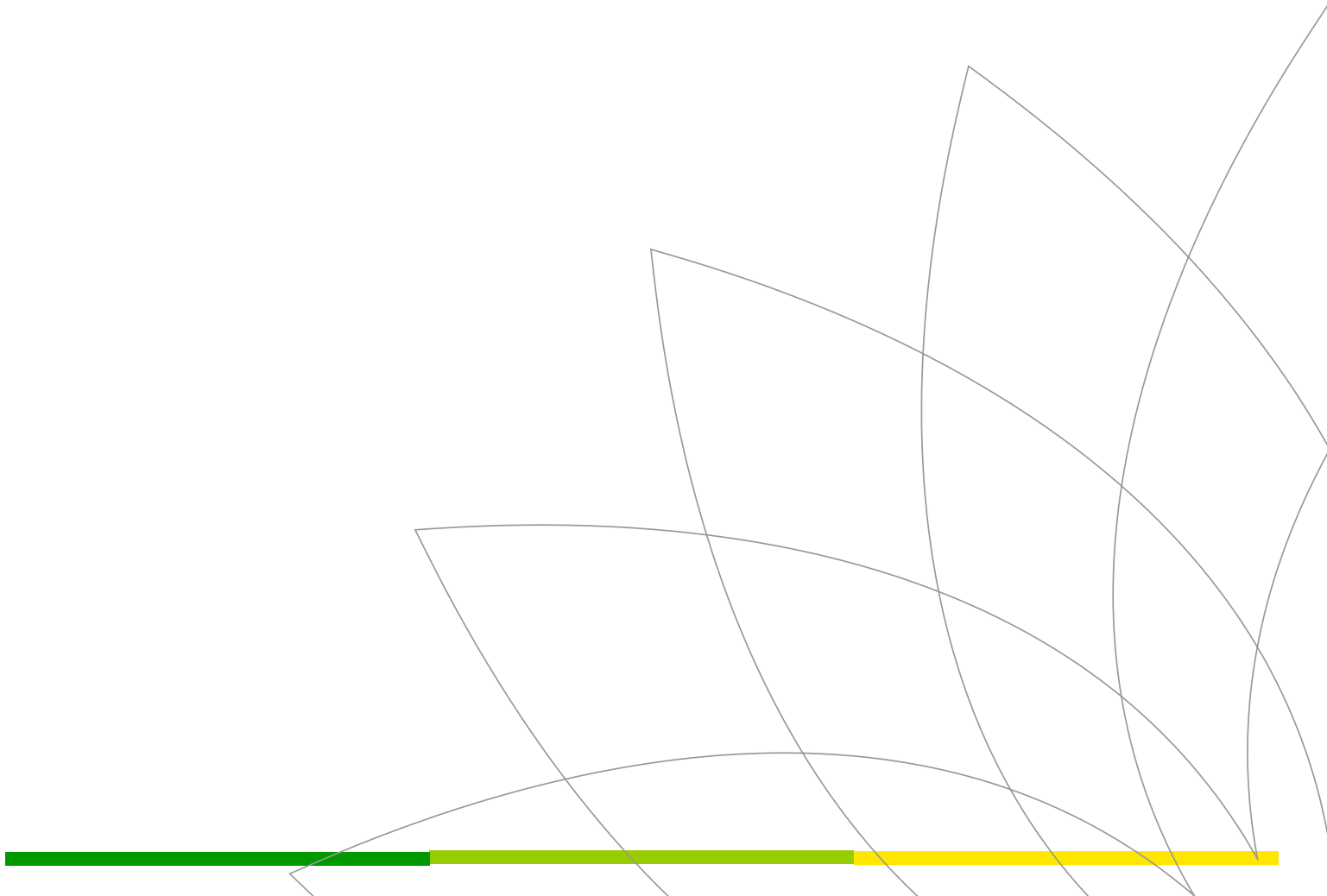




Shaping the future energy landscape

Bob Dudley
Group chief executive

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Good morning everyone.

It's great to be here.

And it is inspiring to see so many of the industry's finest negotiators in the room today.

Steven (Otiller) was very persuasive (as you'd expect!) when he asked me to speak - as was my long-time friend, Doug Glass. Actually, I didn't take much persuading....it's an honour to join you.

Thank you Steven, for your invite and your kind words just now.

And most of all, a big thank you for the leadership you have shown as President of this great organisation.

You have played a pivotal part in AIPN's successful history.

I know you'll be missed, but in Graham Cooper, you have the ideal person taking up the mantle.

Graham, I wish you the very best as President, and let me assure you of BP's continued commitment to AIPN.

We were here at the outset, when AIPN was just an idea. And we'll continue to support AIPN long into the future.

There's an important job that still needs doing, to bring on the next generation of negotiators.

Experience comes with time on the job.

But having a strong support network from the outset is also important, and that's where the Young Negotiators Group comes in.

I encourage you to keep up the good work – we're going to be busier than ever in the years ahead.

When I started in this industry in 1979, I was working as an exploration project analyst...part of the negotiating team who would travel to places like Libya or Trinidad.

It was a dream job for someone who just wanted to see the World!

I was the guy who worked up the spreadsheets by hand for the lead negotiators. It led to many late nights, but it was a great job.

It's also stood me in great stead ever since.

That's important in our changing industry.

And today, the clockspeed is faster than at any time I can recall.

And that leads me to the three areas I'd like to talk about today.

First, the challenges our industry faces.

Second, the choices to be made in response to those challenges.

Third, is a point about relationships which are increasingly important when it comes to making the right choices and unlocking some of the new opportunities ahead.

1. Challenges

So challenges first, and the main one which is the dual challenge.

How to deliver around a third more energy for a growing world, while at the same time delivering energy that's better, cleaner and helps towards the Paris goals.

On current trends, our Energy Outlook estimates the world will need around a third more energy by 2040 to power growing prosperity and lift two-and-a-half billion people out of low incomes.

That's the equivalent of taking all of today's demand and adding another China and European Union to it.

Gas is growing fast, at around 1.6% a year.

Oil demand is continuing to grow, at 0.5%, while renewables are growing faster than any fuel in history, at 7% a year.

That's leading us towards the most diverse fuel mix there's ever been with quarter-shares each for oil, gas and coal, and the other quarter coming from renewables, nuclear and hydro together.

That mix will certainly help to slow the growth rate of emissions down over time.

But that is still growth when the climate goals set out in Paris require a sharp fall.

2. Choices

That means we are going to be making some important choices in the years ahead when it comes to the energy deals we do, and places we put our investments.

Let me just look at three of those choices, at a really high level.

Realism on renewables

The first is renewables, which are clearly going to be increasingly important, but it's also important that we're realistic about what they can achieve.

In BP we've been in renewables for close to 40 years now, so we have some experience that's relevant here.

Today we have a significant wind business in the US, biofuels in Brazil -- and biopower as well.

And we've just returned to solar in a new way with Lightsource BP, learning from the ups, as well as the downs, from our previous work in this area.

There's no doubt that renewables can be an exciting investment opportunity – particularly where you can partner wind and solar with gas to counter the intermittency issues.

The challenge for renewables is that they start from a low base and energy transitions don't happen overnight.

The 1900s were characterised as the oil century, even though more coal was used.

The 1800s were the age of coal, even though the world consumed twice as much wood.

So it will take renewables time too, and they will add to the mix.

One fuel's ascent doesn't mean the end of another.

The world will need fuels of all kinds for some time to come.

Oil and EVs

When it comes to choices about oil, I want to tackle this question about oil demand peaking and electric vehicles killing off demand.

While it is true that the share of oil in the energy mix will decline over time, it's not about to be killed off by EVs. Not anytime soon.

At some point oil will stop growing. But the pace of any subsequent decline is likely to be very slow, with the world needing a lot of oil for a long time to come.

Think plateau...not peak...when you think of oil.

You can see why that's the case when you look at a really extreme scenario.

That's what our chief economist, Spencer Dale, did in our Energy Outlook, when he modelled what could happen if there was a worldwide ban on the traditional combustion engine.

He looked at a ban on new sales of petrol, diesel, and plug-in hybrid cars, phased in during the 2030s ahead of a complete ban by 2040.

Even in that extreme case, oil demand overall could still be higher by 2040 than it is now, at around 100 million barrels a day.

And there's another remarkable side to that calculation.

Our Outlook finds that even a worldwide ban like that barely moves the dial on greenhouse gas emissions.

Emissions could still go up 7% by 2040 – not far off the 10% rise projected if the world continues on the course it's on today – and much higher than the near-50% fall thought necessary to be on course for the Paris climate goals.

I'm not trying to downplay EVs in any way.

They have a really important role to play, particularly in urban areas where they can improve air quality, and we see tremendous business opportunities for BP...not just in EVs, but in the broader revolution in mobility that's underway.

We just have to be realistic and be clear that EVs are not the silver bullet for reducing emissions.

More gas, less coal

So that's renewables and oil...

The third big fuel choice is gas, and we believe in BP that gas has a really big part to play in shaping the future of energy.

Increasingly we see that gas is accessible, affordable, and a cleaner alternative to coal when burned for power.

In China for example, a switch to gas could see the share of coal in industrial energy fall from almost a third today to something like less than a quarter in 2040.

You can see how significant that might be when you look at the US, where replacing coal with gas in power generation has helped bring emissions back down to where they were in the early 1990s.

At BP, six of our seven major projects last year were gas, as are 13 of our 22 planned out to 2021.

We are growing gas in our portfolio and see it as the perfect partner for renewables, which alone won't be able to meet future demand.

That's why we should be focussed on a race to lower emissions, not a race to renewables.

In short, the world is going to need energy from all fuels for some time to come, so we need to make all fuels cleaner.

Advancing the energy transition

All this is helping inform our approach and the choices we're making in BP.

We're focussed on growing our gas production, while working to limit the impacts of methane.

We're increasing our oil production, but doing so in more efficient, cleaner and better ways.

And we're expanding our existing renewables businesses with the right opportunities and also looking to create new low carbon businesses through venturing and innovative partnerships.

We set out more on this in our Advancing the Energy Transition launch just last week, down the road at St. James's Square.

We set out how we are Reducing emissions in our own operations, Improving our products to help customers lower their emissions, and Creating low carbon businesses.

Reduce. Improve. Create.

We also set targets on our emissions, including an overarching target of zero net growth in our emissions out to 2025.

Our production is set to grow - by around 5% a year out to 2021 - but our emissions will not.

Underpinning that target we also set specific targets for greenhouse gases and methane.

The first is to deliver 3.5 million tonnes of sustainable greenhouse gas reductions by 2025.

And the second, over the same timescale, is a methane intensity target of 0.2%.

That second target takes a little explaining.

I think Steve Pacala, from Princeton University – one of the world's leading climate scientists - describes it well.

He said that if the 0.2 target became an industry standard it would, “take oil and gas methane from being a big component of global warming to being essentially a negligible component of global warming.”

3. Relationships

That’s our approach: Reduce-Improve-Create.

Other oil and gas companies have their own approaches to helping meet the dual challenge.

There’s is no single right way of doing things.

It’s about all pulling in the same direction, and we see that more than ever across our industry.

New ways to partner

The partnerships and collaborations we are making will help this aim.

And increasingly we see new ways to partner with others.

BP is working with nine other major oil and gas companies through the Oil and Gas Climate Initiative, or OGCI, to collaborate on action to reduce greenhouse gas emissions.

A couple of weeks back we announced a strategic alliance with Petrobras to explore joint projects in Brazil and beyond.

And just last week, we announced the next of a series of projects with Reliance to increase domestic gas supplies for India.

These are new deals, new ways of working, and a different type of partnership from days of old.

They reflect the ever-changing needs and priorities of the energy industry. And the ability for people from different companies and lines of work to get ‘round a table and make a deal.

AIPN

These new business models and ways of working are why the AIPN is so important.

Negotiations are becoming more complex and taking off in new directions.

At the same time, we also need to move fast to get things done.

That puts strong intuitive negotiation skills at a premium – and not just strong skills but efficient processes as well.

In BP we have certainly benefitted from the commercial framework the AIPN provides and are pleased to input into their development.

I know from my colleagues that the AIPN Model Contracts mean negotiations can start at an already advanced stage.

For BP this is like taking a good 40% off the time of a typical negotiation process.

That's like getting a 10-mile head start in the London Marathon.

That's a game-changer in this fast-moving energy environment where the patterns of deals and energy trends are shifting.

So I would say the value of AIPN today is greater than it's ever been.

Conclusion

Let me finish with one final observation about the role of the negotiator.

I know you guys tend to stay out of the limelight.

You work behind the scenes and often out of view.

But what you do is pivotal to the continued success of our industry, and therefore the greater prosperity of the world.

Artificial Intelligence can never replace emotional intelligence.

AI can't look someone in the eye in the small hours and make a deal. We've all been there.

I've always said this is a relationships business.

The role of human contact and relationships is as important in our work today as it has ever been, maybe more so.

That's why the art of negotiation must be preserved, supported and grown.

That's why the role of the AIPN is as important as it's ever been.

And why BP will support it for years to come as we seek to advance the energy transition.

Thank you.