



2014 Annual General Meeting: group chief executive

Speaker: Bob Dudley

Title: group chief executive

Speech date: 10 April 2014

Venue: ExCeL, London

Thank you very much Carl-Henric and good morning to everyone here today.

Thank you for your support for BP – the company in which all of us here have an interest. Thank you for coming.

Like all companies, BP is on a journey. The message you will hear from all of us on this platform today is that 2013 was a year when BP again moved forward.

We made a whole series of new oil and gas discoveries.

We started up a range of new high-value projects.

We made key strategic choices that strengthened the value of your company's portfolio.

In short, we continued to build an even safer, stronger, better performing company.

As you have just heard from the Chairman, our strategy for delivering energy to the world is to stick to a clear set of priorities, to actively manage and maintain a high quality portfolio of assets, and to leverage our distinctive capabilities – using the know-how of what we do best to deliver the value you want as shareholders.

I want to spend a few minutes now saying what that looked like on the ground in 2013, and then I'll take a look at the road ahead for your company.

Of course, no journey is ever without its risks – as BP well understands.

Tragically 2013 started with a shocking incident when terrorists attacked the In Amenas gas facility in Algeria, murdering four BP employees and 36 colleagues working for our partners.

Our thoughts remain with the families and colleagues of all those who lost their lives in Algeria.

In recent years we have worked hard to learn and apply lessons and continue to be conscious about safety in all we do – in routine daily matters every bit as much as when the risks are clearly the highest.

Generally, that discipline shows. The trends in our safety performance are going in the right direction – as this slide shows. It shows how the number of major incidents has been falling – what we call Tier I events in the dark green – and you see here how in the downstream we actually had the best record in the industry.



We experienced fewer serious safety events and had a lower recordable injury frequency last year – and you can read more about our other improving safety metrics in the Annual Report and the Strategic Report, copies of which are available here today.

It is so important not to become complacent on this. There is always more we can do – on safety as well as reliability, which we in BP hold to be two sides of the same coin, both driven by day-to-day discipline in our operations. Improve one and you improve both.

So our safety record goes hand-in-hand with our record on reliability – and reflects the momentum we see throughout the business.

In our BP-operated upstream operations, plant efficiency reached 88% last year, up from 80% two years ago. You can see this on the top right. That shows the proportion of time the facilities are available for use. And downstream, our refining availability – which is a similar measure – hit a 10-year high of 95.3%.

We also maintained a trend of improving the delivery of projects – to the point that on average we are now completing these multi-billion dollar, multi-year, global projects within 5% of the cost targets set when the projects were approved – in some cases, coming onstream early. A decade ago, over-runs of 50% were not uncommon in our industry.

We are also maintaining a strong balance sheet, with a rigorous grip on capital discipline and debt. We remain within our capital expenditure limits last year with investment of \$24.6 billion – and also staying within our 10-20% band for gearing.

This level of performance is setting a high bar for us in the future, but we are in good shape to strive for even more.

And we can achieve even more if we apply this competitive strategy to a portfolio where the watchword is 'quality' – matching high-quality performance to high-quality assets.

That is why we have divested non-strategic assets and invested in those that have the quality to grow value year after year.

As you know, we have completed a \$38bn divestment programme over the past few years while building a portfolio that enables us to play to our strengths in exploring for energy, working in the deepwaters of the world, working on giant oil and gas fields around the globe, developing and producing gas value chains and running high quality downstream businesses.

You saw the result of this approach in 2013 as BP participated in seven oil and gas discoveries with commercial potential – the best record in almost a decade. And this helped us to improve our reserves replacement ratio to 129% – and to 'within a whisker' of 200% when combined with our Russian portfolio.

Building on earlier discoveries, we also started up three major upstream projects. We've seen three more start up already this year – and we have more to come in 2014.

Also right at the end of last year came our announcements on two very important long-term gas projects; one being the Khazzan project in the middle eastern nation of Oman and the other – which you can see here – being the second phase of the giant Shah Deniz project in Azerbaijan. The pipeline we and our partners are planning will take gas from Shah Deniz. This pipeline will run for 3,500km from the Caspian Sea off Azerbaijan into Italy, with some of the new supply agreements for



the gas field taking us up to the year 2048. So these projects are expected to deliver value for shareholders for decades to come.

Meanwhile we have transformed our Downstream businesses – including a huge programme of work to modernize our Whiting refinery, just outside Chicago in the US. It is now one of the most sophisticated refineries in the world, strategically located to take advantage of heavy grade Canadian crude. As such, we expect it to deliver additional \$1 billion a year of future operating cash flow.

By the way you can read more about Whiting – as well as Shah Deniz, Oman and other topics – in the latest BP magazine – which is also available for you to take home today.

And we will continue to actively manage our portfolio, including a further \$10bn of divestments planned through this year and next.

All of this work on our portfolio, plus our emphasis on safety, capital discipline and project execution, is making us a safer, stronger and better performing company.

But there is one more important element to our strategy – because none of this would be possible without BP's distinctive capabilities. Value comes not just from what we do, but from the way we do it.

This starts with the quality and expertise of people who work at BP – and I'm proud of the fact that BP is seen as one of the most sought after employers in the world. It means we can attract the best people and keep hold of the best people.

We also have a long history of developing strong and productive relationships – across the industry as well as with governments and others.

And we also have a history of pioneering advanced technologies.

We've recently sharpened our competitive edge in a range of technologies, including new processes for the production of petrochemicals, wider application of our enhanced oil recovery techniques, and in seismic imaging – the key tool in finding oil and gas. We have supported our seismic teams by building the world's largest supercomputer for commercial research in Houston to process the vast volumes of data that are generated.

Now, let me update you on two important areas – the developments in Russia and also the legal proceedings in the US.

We have a unique position with Rosneft in Russia, a position that gives us nearly a fifth of the world's largest publicly traded oil company operating in a country with massive reserves and massive potential.

Clearly the situation in Ukraine is currently the focus of world attention.

We will seek to pursue our business activities, mindful that the mutual dependence between Russia, as an energy supplier, and Europe, as an energy consumer has been an important source of security and engagement for both parties for many decades. I think we play an important role and a bridge.

Turning to the Gulf of Mexico, we are very aware of the fourth anniversary approaching later this month of the Deepwater Horizon incident.



BP has looked to be fair and consistent throughout those four years. We have looked to do the right thing by those who were affected by the accident and spill. But also to do the right thing by our investors when it became clear that the system for compensating claimants was subject to a considerable number of unfounded claims.

We have consistently maintained – supported by the findings of the various inquiries – that the accident was the result of multiple causes involving multiple parties.

We have a dedicated team within BP looking after the legal proceedings while thousands and thousands of employees can focus on safe, reliable and high quality operations every day and not be distracted. We remain very committed to BP playing a major part in the future prosperity of the Gulf of Mexico region, where we invest billions, employ about 2,300 people and support tens of thousands more jobs in other businesses.

With that in mind we were pleased to be the apparent highest bidder on 24 of 31 leases for exploration in the Gulf of Mexico last month – the first lease sale following our agreement with the US Environmental Protection Agency to lift the suspension and debarment and allow us to contract with the federal government.

Our explorers are looking forward to returning to the Gulf as we pick up the momentum from 2013 and forge ahead as an even safer, stronger BP in search of the best value opportunities across the world.

We know what we are good at and we are clear about focussing your company in the areas where we can create the most value.

I have outlined our overall strategy and within it there are three particular keys that will help unlock more value.

First, we are committed to maintaining capital discipline.

Second, we will continue to manage our portfolio to maintain its high quality.

And thirdly, we will focus on execution – aiming to do what we say we will do by completing our multi-billion dollar, major projects on time and on budget and to achieve continuous improvement in our operations.

That adds up to a company in good shape, but not at all complacent – a more compact and resilient company that has a clear direction of travel and can respond quickly to opportunities.

In short, a re-energized and refocused BP filled with great people – I see their abilities and commitment up close every day.

That's why I look forward to 2014 with great confidence and, as owners of BP, I hope you all do too.

Thank you very much.