



2015 Annual General Meeting: chairman

Speaker: **Carl-Henric Svanberg**

Title: **Chairman**

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Venue: **ExCeL, London**

Welcome to the 2015 BP Annual General Meeting.

I am Carl-Henric Svanberg, your Chairman. It is great to see many of you again here today. Thank you for joining us.

We have 25 resolutions to consider, they are in the Notice of Meeting.

I would first like to formally propose those resolutions.

We will discuss these resolutions during the meeting. We will vote on a poll at the end.

The short film you have just seen on BP Shipping is an extract from a longer documentary that we prepared to celebrate BP Shipping's centenary.

It is a great business which has endured for all this time and a great example of all that is the best in BP.

But even as we celebrate BP shipping's centenary we must not forget the tragic Deepwater Horizon accident five years ago and the eleven people that died and their families who remain.

So, when I spoke last year, I talked about the growing world economies and the challenges for the world of energy. We seemed to have made a sure start to the year.

But the world turned out to be a more turbulent place.

Geopolitically the world has become more uncertain, if not dangerous.

And the price of oil has gone back to its old volatile ways, after over 4 years of relative stability.

There have been 6 occasions in the last 30 years when oil prices have fallen by over 30 percent in six months. So as a company we are used to it.

So, what is it that is causing the recent volatility?

The high prices over the last several years were driven by a steady growing demand in Asia, supply disruptions in the Middle East, all offset by growing shale oil from the US.

Each of these could have created major price movements but they all evened out and created a false feeling of stability.

The Asian demand including China has now weakened while the US tight oil supply continues to grow.

All of this has led to an over supplied market and, more importantly, to normal volatility.

It may take a while before supply and demand get back in balance and we are not assuming a quick price recovery.



We rather chose to focus on making sure that the Company is made safe and secure financially.

Bob will set out in more details what we are doing.

Our clear goal is to balance our sources and uses of funds so that we can maintain our dividend.

We continue to put value above volume. This means focusing our portfolio on those assets which will bring the best returns.

This strategic direction has served us well the last several years and we now have a high calibre and well performing portfolio.

This is also particularly important in dealing with both a low oil price environment and remaining challenges associated with the Deepwater Horizon accident.

We continue to meet our obligations in the Gulf region and its citizens and look forward to a fair outcome to the litigation.

Our 10-point Plan set us in good stead for the past 3 years. We are now responding to the new realities and have a clear strategy that will allow us to grow BP in the future.

Part of today's reality is that the super majors no longer control the lion's share of the global hydrocarbon assets.

Years ago, the super majors produced most of the world's needs but today, together, we account for less than 10%.

And I know that this is not appreciated by many of the opinion formers that I meet. Most guess that "it may be as low as 50 percent". But the fact is, it is less than 10%.

Over 90% sits with the national oil companies.

We can certainly make our voice heard. But we are not at the helm of our industry and this has clear implications for the role we can play in the world in a number of aspects.

Also, as we set our direction of travel, we have to consider how we fulfil our duties to our shareholders at the same time as meeting the rightful expectations of society.

And society should have expectations of us.

We operate in many countries of the world and we touch the lives of many people.

Our role is to bring access to affordable energy which is fundamental to human prosperity.

Equally we need to play our role in the action on climate change.

I spoke to you briefly about this last year.

This year we will discuss a resolution, brought by a group of our shareholders, encouraging us to give more disclosure and be more transparent about the steps we are taking.

We are pleased to support the resolution, and we will discuss what this means for us, later in the meeting.

Let me put this into context.



Climate change is a clear challenge for the world.

In BP's outlook for 2035, we expect global GDP to more than double, the demand for energy to increase by 37% and the greenhouse gases to increase by 25%, all basically driven by the fast economic growth in the non-OECD countries.

Historically, energy and greenhouse gases grew at a pace close to economic growth.

The world has made encouraging headway in disconnecting these historic trends through energy efficiency and low carbon initiatives.

But, the increase is still in excess of what scientists and governments say is needed to keep the temperature rise within 2 degrees.

But let us be clear, greenhouse gases are not only a result of burning fossil fuel. 25% comes from land use and agriculture which also needs attention. This is not an excuse, just a fact.

The Climate Change Summit in Paris is quickly approaching.

Most seem to agree on WHAT the challenge is, but opinions differ in HOW to address it.

There is nevertheless a transition to a low carbon future that needs to be managed.

There are three key actors that each have critical roles to play.

There is IPCC with its climate experts that help us understand the challenge and what is needed.

There are the Governments and our political leaders. It must be their role to set the necessary policy framework to bring about this transition.

And there is the industry, those who produce and consume fossil fuels.

Our role as companies is to develop our business within that policy framework. That is what we do best and where we can make a difference.

As companies, we also have a critical role in sharing our knowledge and do our part in encouraging an informed debate.

For example, renewables are the fastest growing source of energy but from a very low base. We expect a growth from 2% of all energy today to maybe 8% by 2035.

Furthermore, fossil fuels are not all equal when it comes to CO₂.

For example, a switch from coal to gas in power generation will cut CO₂ emissions in half.

So, as far as we can see, to balance the energy demands of the world and the need to address the growth in emissions requires a thoughtful approach.

And from our projections, to meet these demands, fossil fuels will be part of a balanced, sustainable energy mix for many decades to come.

Even IEA's 450 scenario for 2040 includes more than 50% fossil fuel.

In order to achieve an orderly transition to a low carbon economy we believe several things are needed.



First and foremost, we want to put a price on carbon as we believe is the most efficient way to steer towards lower carbon alternatives.

Second, we want to push for a transition from coal to gas. This reduces emissions to half and will buy critical time over the next decades as renewables mature.

Third, we want even more focus on energy efficiency. Huge strides have already been made here and much more can be done.

Fourth, we need to support lower carbon technologies until they reach the scale needed to compete.

As I shall describe when we come to address the resolution, we are taking action in all of these areas.

Before I close, just a couple of words on the Board.

At the end of the year Iain Conn stood down to go and become the CEO of Centrica.

Iain had a distinguished career with BP over some 30 years. He made a significant contribution to the Company.

We wish him and Caroline well.

George David has stood down as a Non-executive Director. I am sorry that George cannot be here today.

George has been everything you could want in a Non-executive Director. Strong in his challenge and generous in his support.

He has been with the Company through some difficult times and his advocacy on behalf of the shareholder has been unswerving.

We shall miss him and wish him and Wendy well.

Before we move on I want to thank you our shareholders for the support that you have again shown us this year.

And I would like to thank Bob and our excellent executive team, my Board Colleagues and all our employees for your dedicated and hard work.

I am pleased to hand over to Bob now who will describe some of the challenges that we have faced over the year and the actions that we have been taking to meet them.

Thank you.