



# Can corporations solve global problems?

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Good morning Ladies and Gentlemen.

It is a great pleasure to contribute to this debate, and to do so from my practical experience working within the global energy business.

That is where I have spent the majority of my career so far.

In that time I have been involved in a lot of major operations that have made significant improvements to a lot of people's lives around the world.

But it is more usual to hear corporations criticised for causing global problems that we are applauded for solving them.

Edward Coke, who was the Elizabethan attorney general who prosecuted Sir Walter Raleigh for treason, said.

"Corporations cannot commit treason, nor be outlawed nor be excommunicated, for they have not souls,"

He said that about four hundred years ago, so negative views of corporations are nothing new.

We are not perfect. But we seldom get a good press when we get things right – which in my experience we manage to do most of the time.

I have divided my remarks into three sections.

- First, I want to consider the role and the responsibilities of a corporation.
- Second, I have some examples of how BP seeks to fulfil that role and those responsibilities.
- And third, I want to draw out the factors that enable corporations to operate in this way and make a difference.

## Corporate role and responsibilities

To start then, we need to distinguish between the role of the private sector vis-à-vis public sector actors.

A private sector company is not a state. It is not a state within a state. It is not a quasi-state. It is a private sector company.

What does that mean? At a basic level it means we do not take sides in party politics – there is a clear red line.

It means it is not the responsibility of a private company to be the solver of global problems.

Nor is it the responsibility of a private company to act like a charity.

And yet private companies can deliver major benefits for society.

- quality products for our customers,
- sustainable value for our shareholders,
- safe and rewarding conditions for our employees
- and enduring benefits for society.



There are preconditions, however.

- If we can achieve a symmetry of interests.
- If we can build strong relationships based on mutual trust.
- If we can align the risks and rewards so that no one bears a disproportionately high share of the risk or a disproportionately low share of the reward.
- Then business investment becomes an engine of economic activity generating long term benefits for the company, the country, and its people.

I want to challenge the notion that profits and social benefits are inversely proportionate – that for corporations to win, societies have to lose.

In fact, corporations help society win by delivering goods and services, creating jobs, paying wages, paying dividends and the paying taxes that go to fund schools, hospitals and so on.

Last year, BP

- paid around \$14 billion in taxes,
- a similar amount in wages,
- even more in indirect and other taxes.
- And hundreds of millions more in operational costs.
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## Azerbaijan

Let me give a current example of what that achieves in practice.

Tomorrow is the 20th anniversary of the Contract of the Century in Azerbaijan.

This was a deal was struck in 1994 between BP and our global partners and with the Azerbaijan government.

The first major investment by international companies in any of the countries of the former Soviet Union, incidentally.

Nearly \$30 billion of investment in Azerbaijan has flowed from the contract and 2.5 billion barrels of oil so far.

Most of the work has been done by Azerbaijanis and Azeri companies.

Last year alone new long-term contracts were signed with 479 local companies worth about \$4.1 billion.

Safety standards have been prioritized, business infrastructure has improved and professional skills have been learned.

The next phase of construction is likely to create around 10,000 jobs in construction and other industries.

Azerbaijan was facing serious recession in 1994. Since then, its GDP has increased sixteen times to \$75 billion and the non-oil sector of the economy has developed tenfold from just under \$4 billion to nearly \$40 billion last year.

Investment has revived the oil and gas sector, and the oil and gas sector has revived the country.

## Trinidad

That's a whole country, now an example about a small community – one in Trinidad, where I was two weeks ago at visiting our West Jaya Rig off the south east coast.



About a decade ago we started up a private enterprise development to give local people in a struggling community access to business loans – so-called ‘micro-finance’.

We originally put in a million US dollars and as of this year the Mayaro Initiative for Private Enterprise Development in Trinidad, or MIPED has created over 1,000 entrepreneurs and over 4,000 jobs in a community of 14,000 people.

It is now a US\$10 million self-sustaining fund that requires no further investment from us.

MIPED is just one small part of the \$300 million community and social investment we have made in Trinidad and Tobago over the past decade.

In terms of core business benefits, there is now a whole national fabrication industry that we have helped to build to support the oil and gas sector. And a globally coveted qualification as well – an MSc in Petroleum Engineering from the University of the West Indies in Trinidad and Tobago.

### Above-ground conditions

So while business does not exist to solve social problems it can make substantial contributions to a country's society and economy. But that depends in turn on whether businesses choose to invest in those countries.

In our case good investment choices are not just about the rocks under the ground. We need to consider the conditions above the ground.

What do I mean by that?

I mean

- open markets,
- fiscal stability,
- local capability
- and security of the operating environment.

There is a reason why the shale revolution happened in the US and not anywhere else in the world with big shale formations.

Open markets in the US enabled it – backed by stable and supportive tax regimes, mineral rights, and public-private collaboration in research behind directional drilling and hydraulic fracturing.

The Bakken Shale in Montana and North Dakota has gone from producing 200,000 barrels of oil a day in 2007 to over a million barrels today.

There is a reason why we have just committed to drilling 300 wells in Oman over the next 15 years to produce a billion cubic feet of gas a day – which is equivalent to a third of the country's daily supply.

It is a \$16 billion contract that is not going to turn punitive over time.

I have talked already about building local capability in Azerbaijan and Trinidad. Angola is another example.

As well as training hundreds of oil and gas professionals, we've trained over 50 oil and gas lawyers through an International Oil and Gas Master of Law programme at the Agostinho Neto University – the first of its kind in Africa and one of only a few worldwide.

This is good for the country's governance capacity and it is good for the company as it provides local expertise.



Angola was a war zone for over 20 years – but it is now is a secure environment for oil and gas production.

As is southern Iraq – contrary to what you might think – where we have just extended our contract by five years to keep producing oil from the world’s second biggest oil field at Rumaila until 2034.

It is a deal that will provide thousands of jobs for Iraqis and something in the region of \$1 trillion in revenue for the government.

## Conclusion

Let me finish with this last thought.

Henry Ford made some pretty impressive contributions to society.

He took motor cars to the mass market.

He paid good wages to attract and retain skilled labour.

He clearly recognised the need for symmetry of interests a century ago, In fact he said: “A business that makes nothing but money is a poor business.”

Ladies and gentlemen, if we can achieve a symmetry of interests, if we can align risk and reward fairly, if we can make relationships work for mutual benefit – then we do a lot more than make money, we create enduring value on all sides.

Thank you.