



Strengthening safety, restoring trust, building value

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Speech date: **28 March 2011**

Venue: **Howard Weil Energy Conference – New Orleans, LA**

Thank you very much.

It is always a pleasure to be back in New Orleans, the city where I began my career in the energy business more years ago than I care to count now.

Just recently, after we announced our results, a magazine ran a headline declaring “BP wraps up a year to forget.” I actually couldn’t disagree more.

None of us at BP will ever forget 2010. It was dominated, of course, by the tragic accident in the Gulf of Mexico in which 11 men lost their lives.

The subsequent oil spill impacted the people and natural environment of the Gulf Coast states.

We know that nothing we do can restore the lost men to their loved ones, and that the economic and environmental recovery will be arduous.

BP will meet our commitments in the US.

We will take the lessons we have learned from the Deepwater Horizon accident and weave them deeply into the fabric of our organization.

We are changing the way we manage our operations and concentrating on the drivers of long-term value – safety, capability, technology, portfolio choices and relationships.

The last year has been a watershed, challenging us to think about what kind of changes we need to make to our business, and what kind of changes may come for the industry as a whole needs to make.

But before sharing with you the choices we have made so far, let me first share the context in which they were made.

Earlier this year, BP published Energy Outlook 2030, our first-ever forward- looking projection of where we think the world energy market is headed.

Bottom line: we estimate that the world could be consuming as much as 40 percent more energy than it does today.

We expect continued reliance on oil, but with new growth being met increasingly by natural gas and by renewables.

We expect growth in energy demand to be driven primarily by the non-OECD world.

China’s demand for energy is expected to nearly double in the next 20 years, while demand growth in the US and the EU looks set to be much flatter.



With most of the world's major energy-producing basins reaching maturity in coming years, meeting this demand will mean looking increasingly to the frontiers.

That means the Arctic, unconventional technology, and yes, the deep water.

All of these realms are areas of BP strength, which means that we will have a very significant role to play in the emerging world energy picture.

BP has the right combination of brainpower, experience and financial strength to start making this new energy world a reality.

So going forward, we have set three priorities for ourselves:

First, we will continue to strengthen safety and operational risk management at our company.

Integrating how we manage risk, how we operate, how we partner with governments and contractors and how we reward performance is essential to the long-term success of our business.

Second, we recognize that rebuilding trust is central to our ongoing license to operate.

The paramount first step in that process is meeting our commitments here in the US, which, as I indicated, we will do.

But we must also ensure that the lessons learned are implemented across all our operations globally, as well as shared with our industry partners and governments worldwide.

The aim is to help prevent accidents like the Deepwater Horizon from happening again.

Our third priority is delivering value growth for our shareholders by resuming payment of a quarterly dividend, divesting non-core assets in the upstream, and unlocking value while creating a portfolio with potentially stronger growth from a smaller base.

We aim at a continuous reduction in risk, value over volume, and quality over quantity.

It's about choices for the future.

We know that some of the actions I have just outlined may increase some costs and reduce volumes in the very short term, but we believe they are essential to laying the foundation for value-based growth over the long term.

Let me now detail our progress on all of these fronts.

With regard to safety, we have clear priorities and a program of action.

Our goal is to continue to strengthen process safety and reduce operating risks.

This requires alignment of the organization from top to bottom, with a consistent, global set of standards and behaviors.

The primary mechanism driving this consistency is our operating management system (OMS). We are continuing to embed this across the organization.

In human terms, we are working to ensure that we have a highly competent organization with the deep technical expertise and the ability to deploy it effectively to assure safe and reliable operations.



And we are making changes to our approach to performance and reward so that every person in BP - no matter their actual job function - understands and works to carry out these priorities.

Driving our efforts is our new Safety and Operational Risk organization.

Hundreds of personnel of this new division are now deployed in BP's operating divisions.

They're working alongside the line managers guiding, advising, scrutinizing, and if necessary, intervening, in operations.

We are already seeing results.

We shut in one production platform to repair the fire water pumps.

And a producing field was shut down to enable pipeline integrity work to be carried out.

This is the kind of increased safety awareness we expect to see from now on.

And to encourage it, we are in the process of rewarding those employees who raised their hands.

Other structural changes include splitting our upstream business into three component parts: exploration, developments and production.

This creates greater clarity and accountability, and brings specialists together into teams where they can build their capability.

For example, we now have a new Global Wells Organization, responsible for the worldwide delivery of "safe and compliant" wells.

Further, we have decided we will not take rigs that do not conform to our standards.

There are a number of cases where we have either turned away rigs or are negotiating for modifications to bring the rig up to our standards.

The Presidential Commission found that many of the problems they identified that led to the accident were issues with industry significance that need to be addressed.

That is why we have committed to sharing with the industry the lessons we have learned so that the industry can join us in enhancing safety.

The industry formed the Marine Well Containment Corporation, a specially-created industry entity designed to maintain preparedness for any future spills in the Gulf of Mexico.

BP is a member, and we have donated specialized equipment developed during last summer's containment effort, so that all of us are better prepared.

But we believe more can be done.

For example, as the Presidential Commission found, industry standards for blow-out preventer testing, cementing, well-integrity testing, rig audits and other well operations could be enhanced.

Common industry standards based on the lessons BP has learned in the Gulf could help protect the entire industry's license to operate in the years ahead.

Because that license depends on earning and keeping the public's trust, which is the second of the three priorities I mentioned earlier.



Restoring trust

BP's primary instrument for living up to our commitments in the US is our Gulf Coast Restoration Organization, which I head up.

The GCRO is completing its response activities and working towards the longer-term restoration of the affected areas.

While this activity is ongoing, we are co-operating with a series of investigations, inquiries and hearings.

From the start nearly one year ago, we have committed to pay all legitimate claims resulting from the spill.

We have set aside \$20 billion in a fund to resolve claims by individuals, businesses and governments as well as for any Natural Resource Damages claims.

We have also taken a charge of nearly \$41 billion against income in expectation of potential liabilities.

Currently, we are implementing the transition of day-to-day management of further activities from the existing Gulf Coast Incident Management Team.

And we will continue to have an ongoing local presence through our state offices and staff.

Smaller, more focused

Meeting the challenges and commitments I have just outlined will require us to maximize the value of our portfolio.

To that end, we will pursue the front end of value creation, while divesting where others can create greater value.

The inherent scale, strength and breadth of our portfolio is enormous, with several material multi-billion dollar businesses, and a set of newer positions with significant potential to grow as we invest, in Iraq Brazil and in Canada, for example.

Add in the Gulf of Mexico and TNK-BP, we have a resource base of 68 billion barrels of oil equivalent, with an inventory life of 48 years.

We expect total production volumes to be lower in 2011 than 2010, as a result of divestments, the lower production from the Gulf of Mexico and increased turnaround activity to improve the long term integrity and reliability of the assets.

As a result of these factors, reported production in 2011 is expected to be around 3.4 million barrels of oil equivalent per day.

The actual outcome will depend on the exact timing of divestments, the pace of resumption of drilling operations in the Gulf of Mexico, OPEC quotas, and the impact of the oil price on production sharing agreements.

BP is good at finding oil and gas, and we will take advantage of our growing world class exploration inventory to double exploration investment over the next few years.



We will continue to explore where we have been successful in the past decade –Angola, Egypt, Azerbaijan and the Gulf of Mexico. We will also test new provinces in coming years –Jordan, Brazil, the South China Sea and Australia.

For the longer term, we will continue to work to test the significant potential of the Arctic continental shelf in the Canadian Beaufort Sea and now also in the future, the Russian South Kara Sea.

By the end of 2016, we plan to start up a total of 32 projects, which have the potential to contribute around one million barrels a day to total production.

These should more than offset natural declines in our portfolio.

In the downstream, let me explain how we are thinking about the future of our refining and marketing portfolio.

The backdrop to our strategic choices is one of flat-to-declining demand for fuel in the US and Europe, and significant growth for fuel, lubricants and petrochemicals in the emerging economies.

For the last 18 months we have been considering the future performance potential of the portfolio in both relative and absolute terms.

Parts of the US Fuels Value Chain portfolio does not meet our strategic hurdles.

So we have announced our intention to exit the Texas City refinery and the Southern West Coast Fuels Value Chain, including the Carson refinery, by the end of 2012, subject to obtaining relevant approvals.

We will continue, however, to invest in the rest of the US Fuels Value Chain portfolio.

Post-2013, we will have half of today's refining capacity, with interests in three refineries – Whiting, Toledo and Cherry Point – all with improved or transformed configurations.

Although smaller, we believe this portfolio will be competitively advantaged in the US.

Our plans for both the Eastern Hemisphere Fuels Value Chains and for the international businesses are unchanged.

These businesses will continue to see material and sustainable earnings growth and the delivery of highly competitive returns, well in excess of our cost of capital.

As we look to the future, I hope you all see that BP is changing as a result of what happened in 2010.

I believe the changes will be for the better.

We will meet our commitments.

- We will continue to take action to be safer, and better able to manage risk;
- We will be smaller and more focused;
- We will boost investment in our core strength of exploration;
- We will pursue new strategic partnerships;
- We will invest in the drivers of long-term value;

At the same time, we are prepared to divest non-strategic assets, both upstream and downstream, if the asset would be more valuable in hands other than ours.

And we have restored a dividend stream to our shareholders.



We are a company building on its strengths and addressing areas to improve.

A safer BP and a stronger BP a company that rebuilds value and trust for the long term.

Thank you.