



New times, new thinking

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Your Majesty, Your Excellencies, distinguished guests, ladies and gentlemen, good afternoon.

It's always good to visit Abu Dhabi, especially in a year when we celebrate 50 years since the first oil was exported from ADMA.

BP has been working in Abu Dhabi since the beginnings of the industry and we're still actively investing with several billion dollars of investment planned over the next few years. So I appreciate the invitation to ADIPEC 2012.

I wonder what people will say at ADIPEC 2062, in half a century, when they look back?

Our industry is always changing, but I think they will see the years around today, as one where many profound changes took place in our industry's history.

I have two simple questions: What is the nature of these new times we are entering? And what new thinking do they require from the industry?

New times

Back in 1908, when we made our first oil strike, the world consumed energy at a rate of around 2 million tonnes of oil equivalent a day. Today it consumes around 32 million. And by 2030 we expect that to rise to 45 million tons a day on current trends – an increase of up to 40%. We expect demand for oil and gas together to rise up to 30%.

So the scale of future demand with rising populations and prosperity is challenging – and to meet that demand, we are going to need to do some new things. Here are some suggestions.

First in the world of oil, we'll need to find new ways to extend the life of today's fields.

Second, we'll need to find new fields by going to more remote geographies and deeper sub-salt reservoirs, and unconventional sources such as shale oil and heavy oil.

Third, to meet gas demand, we'll need as everyone now knows, to unlock more unconventional gas, as well as increasing investment in conventional gas.

And fourth, to achieve growth we expect in the world we will need to use energy as efficiently as possible and create an increasingly diverse energy mix.

All of these things are now starting to happen simultaneously – some very rapidly. These are new times which involve new frontiers, new technologies and new capabilities.

This region has its own challenges, of course. Stewarding resources is critical – maximising the precious resource that is the economic lifeblood of the region.



Then there is the continuing challenge of diversifying the economy – building new sectors and new jobs as is happening here in the UAE and other parts of the region – but new sectors also depend on energy and in particular making best use of gas.

Linked to that, there is the challenge of scarce capability – developing skills for the oil and gas industry and opportunities for young people in general.

New thinking

Moving onto the role of energy companies, our view is that in these new times, we need to do some new thinking. A super major can't be super at everything. It has to make some choices and then be world-class at what it chooses to do. And risk management has to underpin everything.

So step one is to put in place structures and systems to continuously improve risk management; and step two is to invest decisively in our strengths.

In BP, we've introduced a new safety and operational risk organization to advise and challenge line management and enhanced how we manage risk – in what is a risky business.

One example is the process we have developed with ADMA, BP and Total to cool high temperature subsea pipelines using sea water. It's a simple process but an innovative one and an industry first.

Then, in terms of making choices, what you are seeing at BP today is on one hand divestment of assets that are non-strategic; and on the other hand investment in the assets and the capabilities that represent our greatest strengths.

We've announced \$35 billion divestments against a target of \$38 billion and this is also reducing complexity and risk.

We've divested only around 10% of our production and reserves, but in doing so, we have removed around 50% of our Upstream installations, 30% of our wells and 50% of our pipelines.

Our investment is then going into the distinctive strengths we have developed over many years: exploring for oil and gas; developing, redeveloping and managing giant fields; creating gas supply chains, finding and producing resources in deep water and a running a set of world-class downstream businesses - all underpinned by leading technologies and strong relationships with partners.

We've stepped up our investment in exploration because I think it is a particular strength for BP and we have been awarded 400,000 square kilometres of leases since 2010 – twice as much as in the previous nine years. For reference, the new acreage is about twice the size of the land mass of the United Kingdom.

We have roughly doubled our spending on seismic work, including new supercomputing facilities.

In this region our work covers exploration, development and redevelopment, mostly in giant fields.

For example we are working with ADMA on a new 3D seismic survey to expand the giant offshore Umm Shaif field, first drilled in 1958. In Jordan at the Risha field we carried out the second largest onshore 3D seismic survey in BP's history – covering 5000 square kilometres.

There is a huge amount going on in Abu Dhabi in this area - ADCO's CO2 injection work is also going to be very influential, I believe, as will the digital oilfield work we are supporting in ADMA.



In terms of development, we are working at the Khazzan and Makarem gas fields in Oman, looking for ways to commercialize one of the Middle East's largest tight gas accumulations by extending technologies that have been successful in America.

America's example also shows the importance of policy frameworks that encourages investment in gas and builds a regional gas market. Investment happens when the price of gas reflects the real value of the resource – including the internationally set prices for gas-based products - rather than the historical cost of production. I know there is a lot of thinking going on in this region on this issue as releasing more gas for industry and power will avoid the need to burn more oil which reduces the volume available for export.

Meanwhile we continue to increase oil production through development where possible. Another old field with a lot of life left in it is Rumaila in Iraq. This is now the third largest field in the world - but we want to make it number two. We've helped raise production by 40% to 1.4 million barrels a day over the last two years. And that has delivered over \$15 billion of additional net revenue to the government. The next opportunity at Rumaila will be redevelopment – moving to the previously undeveloped sections and opening up a new stage in the history of the field.

It's interesting to reflect that BP helped discover Rumaila in 1953. But back then we were still in what I would call chapter one of the modern industry where the IOCs managed or owned most of the reserves.

In chapter two, control evolved to the sovereign states and National Oil Companies. Now I think we're in chapter three, where IOCs, NOCs and governments are working together in many different ways across the globe - because no-one can do everything and we need to bring different skill sets and experiences together as circumstances demand.

Rumaila is a good example, with BP working alongside there with China's CNPC and the South Oil Company of Iraq.

And that operation, with its emphasis on training for the Southern Oil Company's huge workforce, also highlights the importance of building capability.

This is vital as older professionals retire and young people seek opportunities.

In BP we believe our future is about building an international workforce with deep capabilities, and we do this several ways. We train large workforces like the SOC.

We invest in high quality technical education such as Abu Dhabi's Petroleum Institute - which we support along with ADNOC, Total and others.

We provide opportunities for young professionals to work around the world to develop their skills. In the upstream part of our business people now belong to global teams for exploration, wells, projects and operations. This encourages people to move around and gain experience.

Conclusion

To conclude, let me say I am optimistic. If you look back, you see how this industry has overcome challenge after challenge. For example, we often talk about the challenge of meeting a 40% increase in demand over the next 20 years – but over the past 20 years, we met an increase of 50%.

We are already meeting the new challenges of the new times - including redevelopment of giant fields, unconventional gas and a new age of exploration.



And if we keep building the kinds of partnerships we're seeing today. I see no reason why we cannot meet demand, safely and sustainably, for many years. And BP looks forward to working with you in this region as the future unfolds.

Thank you.