

A Safer, Stronger BP:  
Our Quest to Earn Back America's Trust

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Thank you very much, John (Canning), for that very generous introduction. It is always a pleasure to be back in Chicago.

I was flying on a flight Wednesday night on united from Washington. I flipped open the window at five minutes after 5 p.m. and there was a beautiful sunset. As the plane went over Lake Michigan I looked over and saw Whiting refinery, which is one of our largest investments in the world.

And then the plane curved around and came towards the city and flew north of the big buildings and landed at O'Hare. And it just reminded me of what a remarkable city Chicago is, with the amber lights at night. It's a great city.

When I started my energy career, as John said, in 1979 a couple of blocks away from here with Amoco, I never imagined I would be back one day representing our company in this very prestigious forum. So it is an honor to be here.

As John noted, BP, Amoco and the energy industry have seen enormous changes in recent decades. But one thing that hasn't changed is the importance of the Chicago area to BP.

Chicagoland is home to many of our vital BP businesses.

We have our Integrated Supply and Trading business now housed in the old Chicago Merc space.

Also downtown is our East of Rockies Fuels Value Chain headquarters, which includes, among other things, our sales and marketing activities which handle about 9,500 BP-branded gas stations, fuelling three million customers a day, from Minnesota to Florida to New York.

Also in the area is Air BP, which provides aviation fuel at really all major US airports, including 1000 flights a day at O'Hare. BP Pipelines North America, one of the nation's largest pipeline companies. Our US refining and fuels R&D unit, which develops cleaner-burning fuels. And our Americas Business Service Center, which supports our refining and marketing businesses in the Americas are located here.

And just across the state line in Indiana, we are on track to complete our multi-billion dollar modernization of the Whiting refinery. It is one of the largest economic

investments this area has ever seen, and the largest industrial project in Indiana's history.

All told, our operations provide jobs to 13,000 employees and contractors in Illinois and northern Indiana.

We are deeply committed to this region and to the United States.

Let me tell you some things you might not know about this company formerly known as British Petroleum.

While our corporate headquarters is in London, our American roots go considerably deeper than our British ones in some ways.

ARCO, our oldest heritage component, was founded as the Atlantic Petroleum Storage Company in Pennsylvania in 1866. Standard Oil was incorporated in Ohio four years after that. And the company that would become Amoco was founded in 1889.

All this came years before a man named William Knox D'Arcy founded the Anglo-Persian Oil Company, which eventually became BP, in 1909.

In spite of that long and storied history, there were those in 2010 who questioned our willingness and ability to maintain our commitment to the United States.

They said we would have to rebrand ourselves, reduce our presence here, or even exit the US market altogether.

But none of those options would have been acceptable to us.

That would have meant abandoning tens of thousands of employees and retirees, who represent generations of experience, innovation and resilience.

For BP, that would have been a big mistake. A mistake that would have affected people across the United States who count on us for secure and reliable energy supplies.

Since 2006, BP has invested more than \$50 billion in US energy development, nearly twice as much as our nearest competitor, and more than BP invests in any other country.

Nearly thirty percent of our employees are based in the US, again more than in any other country, and nearly 40 percent of our shareholders are here as well.

If my first act as BP's first American chief executive had been to walk away from the United States, I would have felt I was walking away not only from our past, but a key component of our future.

So while we are a global company, we are also very much an American company. And we have every intention of staying that way.

But nearly two years ago, that American heritage and investment was tested to its core.

The Deepwater Horizon accident and oil spill took eleven lives, injured dozens more, and disrupted the livelihoods of thousands of people in the Gulf Coast region.

They were fishermen and their families, people in the tourism industry, and residents had their way of life had suddenly changed.

From the outset, we believed it was important to step up and work with government officials and others to address the needs of those people.

At the same time, however, our credit situation became increasingly difficult. Shareholders fled. Our reputation was in tatters.

We had experienced a massive loss of public trust.

Trust is a subject I've been thinking about a great deal recently. Money makes the world go 'round, according to the old saying, but I'm not sure that's really true.

More and more, the key element seems to be trust. In varying ways, we all live on trust.

We trust that airline pilots will deliver us safely to our destinations.

We trust that the goods and services we buy will work properly.

We trust that bankers and brokers will handle our money responsibly.

And we trust that those who run complex industrial operations, such as chemical plants, refineries, nuclear power stations, and oil and gas rigs will manage the risks involved.

Yet, over the last two decades, we have seen this critical commodity called trust eroded in many, many ways.

The last decade has seen a loss of confidence in major institutions almost across the board: governments, banks, the media, and even religious and sports organizations.

Every year, the Gallup organization asks Americans how much they trust various institutions. Of the 16 institutions surveyed most recently, only three - the military, small business and the police - enjoy the trust of a majority of Americans.

But it wasn't much comfort to know that we were not alone in our dramatic and public loss of trust.

We had to re-earn it.

So how do you respond to a loss of trust?

There is no “off-the-shelf” plan, because the reasons for loss of trust differ in each case.

I can speak only for BP, and today, I want to give you a progress report on our quest to earn back trust.

The effort has three parts. I call them the “three R’s.”

Respond. Reinforce. Restore.

I’ll take each of these in turn, starting with Respond.

On that morning in April 2010, I was getting ready for the day in my hotel room in India. I had been appointed to head BP’s Asia operations and switched on the TV to catch up on the news.

Unfortunately, BP was the news that day - as it would be for the next six months.

My role quickly changed. I was asked to head up the response to what became one of the worst maritime oil spills in history. But for me, it wasn’t just another job. It was a very personal mission.

Before moving to Chicago, I grew up in Hattiesburg, Mississippi, and I spent summers on the Gulf Coast. It was very familiar to me. People I knew personally were impacted by the spill - and that hit home.

The challenge we faced was multi-faceted and incredibly complex.

First and most critical was the engineering challenge.

We had to stop the flow of oil from a well 5000 feet below the sea, with a mile of twisted and bent pipe above it, and an uncertain condition below it.

Our engineers, working alongside specialists from other companies, the government, the military, and academia, worked night and day to find a way.

After several failed attempts, using remotely-operated vehicles that are basically robotic submarines, we were finally able to stop the flow of oil on July 15th using a capping stack.

After cementing the well in early August, we continued drilling relief wells, to intercept it and permanently seal it. We succeeded on Sept. 19th, after 153 days of round the clock work.

Now I think that was a remarkable engineering feat. It required hitting a target the size of a dinner plate, 3 ½ miles below the water’s surface, in the dark.

At the same time, up on the surface, we faced a daunting logistical challenge.

Working with the US government, our response involved at its peak around 48,000 people, 6000 ships, over 100 aircraft and 13.5 million feet of boom.

Despite our best efforts, some oil did reach the shore. In all, 635 miles of shoreline required some degree of cleaning. Twenty months later, while we are still monitoring for the occasional tarball and responding as necessary, I am pleased to report we are down to just several miles of active clean-up on the Gulf.

Also, federal and state trustees recently selected the first early environmental restoration projects, for which BP has committed up to \$1 billion.

The financial challenge we faced cannot be overstated.

Despite our deep resources and valuable assets, the uncertainty we faced caused some banks to stop trading with us and extending us credit. Our stock price plummeted more than 50 percent.

Nevertheless, I believe we immediately stepped up.

We waived the \$75 million statutory liability cap under the Oil Pollution Act of 1990.

We established a \$20 billion trust, assuring the American public that funds would be available for economic and environmental restoration. We have spent more than \$21 billion on the response, clean-up and claims so far. We have divested \$23 billion of assets globally.

And even though testing shows beaches, waters and seafood are safe, we are making up to \$500 million available over the next decade to fund scientific research into the Gulf ecosystem.

Fortunately, we have recently gotten some help. Two of our partners and two of our contractors are now contributing to the effort. We have called on others to step up and meet their obligations.

Communicating with our employees, the government, local residents, and the general public was a significant challenge. The circumstances were chaotic. Events changed quickly. Rumors ran wild.

Under the direction of the Coast Guard and in concert with other government agencies, we participated in the Unified Command, which conducted daily updates on the response from Louisiana. In Houston, daily technical briefings were provided on our efforts to cap the well. We even invited reporters into the command center, where our engineers were working to stop the leak.

And then there was the challenge of responding to multiple government investigations, and close scrutiny from mayors, governors, and federal officials, including the President himself – all while we were trying to respond to the accident.

Even as we were coping with all this, we still had a global corporation to run. Safety and risk management had always been at the forefront of our operations, but in light of what had happened, we committed to reinforce our safety and risk management procedures globally everywhere.

That's the second "R" I want to address: Reinforce.

From the outset, BP made it clear we would cooperate with all official investigations, and we immediately launched our own investigation.

Its findings, posted on our website less than five months later, concluded that it was a complex accident involving multiple causes and multiple parties. That conclusion has been substantially supported by all subsequent official investigations.

We knew we had a responsibility to embed the lessons from this accident across BP's business worldwide. We had to advance and continuously improve our safety and operations based on that knowledge.

First, we created a powerful new safety and operational risk organization, whose head reports directly to me and sits on my leadership team, as does Lamar McKay, the head of BP America, who is here today. This new organization includes hundreds of experts deployed across our operating businesses to guide, advise, and if necessary, intervene.

We have shut down platforms and operations to make the necessary upgrades around the world, and we have rejected rigs from contractors that fail to meet our enhanced requirements.

We have added to our Board of Directors retired Admiral Frank "Skip" Bowman, a former head of the US nuclear navy, an organization renowned for its safety consciousness.

In the Gulf of Mexico, we have instituted voluntary new drilling standards that exceed federal requirements.

To give you an example, we will not drill a well from a dynamically positioned rig, which means it's not anchored, unless the Blowout Preventer has at least two sets of blind shear rams and a casing shear ram. It's a bit technical but really important. This provides increased redundancy in the event of an emergency.

In Houston, the same engineers who capped the Macondo well designed and built another containment cap that can be deployed worldwide in a matter of days if necessary.

We are also sharing what we've learned from the incident with government regulators, industry experts and academics worldwide. We have had more than 100 speaking engagements in more than 25 countries, and the number grows daily.

And even though some of our findings could have been of competitive advantage to BP, we are sharing them all with other companies, private companies and national

oil companies, because it is the right thing to do. It is early yet, but we are heartened that many governments worldwide are recognizing the steps we have taken, both in responding to the spill and in reinforcing safety.

Last year was a record – I've never seen a record like this – for new acreage access, with BP being granted more than 70 exploration licenses in 11 countries. And we are back working in the Gulf of Mexico, where US regulators have granted us our first drilling permit since the accident - a milestone we are proud to have passed.

That brings us to my final “R:” Restore, as in restoring American energy security.

One of the reasons I am here in the US is to get a closer look at some of the remarkable things BP is doing in this country. All of which reaffirm our commitment to the United States and its energy security.

I spent yesterday at our Whiting refinery, which is a great example of what I mean.

Built in 1889, it is our oldest facility and still going strong. But we want to ensure that it plays a role in the energy future. So we are investing billions of dollars modernizing it so that it can, among other things, handle heavier crudes, like those produced in Canada.

I have also just been to Alaska, which provides an example of how we can use technology to enhance production. When we first started pumping oil from the North Slope in the late 1970s, we and our partners thought it would only last about 20 years.

But through the use of techniques such as horizontal and gas and water injection, we are more than a decade beyond that. We are still producing there and we are still investing there, and it is important for the United States.

I am also very proud of our alternative energy business, in which we have invested \$7 billion since 2005. Four billion of that has been spent here in the US, where we are focusing on wind power and advanced biofuels. There is evidence that all these and other efforts are paying off, not just for BP, but for American energy security.

The Energy Department tells us that net US oil imports have fallen by a third, from 12.5 million barrels per day in 2005 now down to only 8.5 million barrels per day in 2011.

The sluggish economy and higher energy prices are part of the reason for the decline. But it is due also to increased domestic production of oil and gas, more fuel efficient cars, and use of biofuels.

While US demand is expected to be flat or declining, we estimate world energy demand will soar some 40 percent over the next 20 years. That's the equivalent of adding another United States and another China to existing consumption in the world.

Meeting demand on that scale is going to require a strong, diverse and versatile industry - one that is producing all forms of energy - fossil fuels as well as alternatives.

The fastest growing fossil fuel is expected to be natural gas. That's great news for the US, because we have a vast domestic supply and the technology to access it. It typically burns much more cleanly and efficiently than coal, with only about half the emissions.

If we can use gas to displace older, coal-fired power generation, that would be a big step forward for both efficiency and sustainability.

As for oil, we will still need to find plenty of it.

Next week, BP is set to publish the second edition of *Energy Outlook 2030*, our projection of long-term energy trends. An early look shows that, even with alternatives and natural gas, 87 percent of US transportation fuel will still be oil-based in two decades.

Where will that oil come from? I already mentioned enhanced recovery, such as we are doing in Alaska, but that takes us only so far.

Finding the rest will require exploration. And the world's remaining accessible oil reserves are located at the frontiers - the Arctic, the Canadian oil sands, and yes, the deepwater, like the Gulf of Mexico.

That is why BP chose not to abandon the deepwater after 2010.

To give you a sense of when I started working for the company, 80 percent of the world's resources were either owned or managed, and in some ways, controlled by a group called the Seven Sisters – seven big oil companies. Today, that number is only 8 percent. That gives you some perspective of why the big oil companies that you think of control less than you think, and why we have to work in difficult places of the world – the deep waters, the Arctic and difficult environments.

Developing those resources will require the services of many more smart, skilled, and motivated people. Indeed, the potential of energy as a source of jobs deserves the attention of all of this year's presidential candidates.

*The Wall Street Journal* recently did an analysis of figures provided by the Bureau of Labor Statistics, which found that the number of US oil and gas jobs has increased some 80 percent, to 440,000 people, since 2003. In fact, oil and gas account for a remarkable one in five net private sector jobs created during that period.

BP is part of that.

- We are America's second largest producer of oil and gas and, as I mentioned, its largest energy investor;



- Over the last five years, BP's reinvestment in the US has substantially exceeded the profits we earned here;
- That translates into jobs for Americans. We employ more than 23,000 people directly in the US, nearly 30 percent of our global work force;
- Counting our US supply chain, nearly a quarter of a million US jobs depend on BP.

And it isn't only jobs; BP is part of the American community.

In 2011, BP America spent over \$30 million supporting foundations, schools, cultural institutions and community projects across the country. We've spent that amount alone in Chicago over the last five years, in support of everything from the Art Institute to the Museum of Science and Industry, from the Children's Museum to Chicago United.

We are an Official Partner of the US Olympic Committee and Team USA as they prepare to send American athletes to this summer's London Olympic and Paralympic Games.

Looking ahead, I am optimistic that our company and our industry can meet the energy challenge I have outlined. It is a big challenge.

Since I started working for Amoco in 1979, the energy industry has actually produced more oil than was known to exist in the world at that time. And today's oil reserves have actually grown to twice the size that they were then.

But that kind of success can only be replicated in the future if the public and policymakers trust that the task can be performed safely and responsibly.

For BP, the path to re-earning that trust requires the three "Rs:" responding to the spill, reinforcing our company's focus on safety and helping restore US energy security.

It hasn't been easy.

And our work is not done. There is still much more to do.

It requires continued focus and commitment.

But if we stay on course, I am confident we can deliver a safer, stronger BP, and regain the trust of the country where our roots are deepest and I believe our future is brightest.

Again, for me, it is great to be back in Chicago and to see old friends and be with you today.

Thank you, John.