Good morning Ladies and Gentlemen,

It’s a great pleasure to be with you here in New York.

My thanks to Barclays as our host. They have brought together a thorough gathering of the energy industry.

You all know this is an important year for BP – a year of transition and a year of rebuilding.

We are laying the foundations for creating value in a safe and sustainable way, for many years to come.

We are making some major changes, very thoughtfully, with the intention that they will be good for a long time.

So today I want to update you on our progress and explain what we plan to achieve over the months and years to come.

Before we start, I need to draw your attention to our usual cautionary statement.

**Progress in 2011**

As I indicated, it’s been an eventful year.

Only just over a year ago, oil was still flowing into the Gulf of Mexico from the Macondo well. And it’s been less than one year since the US government declared the relief well complete.

Many people believed then that BP was finished.

But we have faced up to the challenges, that would test any company of any size, and we have made real and measurable progress.

Look at the situation purely in financial terms….

- We have strengthened our balance sheet.
- We have continued to divest assets as appropriate, realizing sums in excess of external valuations.
- We’ve reduced our target gearing band.
- We’ve improved our credit ratings.
• And we’ve restored a dividend which yields 4.5%.

This comes from systematically building clarity about what we need to do.

We now have three clear priorities:

• putting Safety & Operational Risk Management at the heart of the company

• rebuilding trust with regulators and our customers

• and taking steps to lay a stronger foundation to deliver value growth for our shareholders.

I want to spell out what each of these mean. But first a word about this year’s performance.

A year of consolidation

This is a year of consolidation. It always had to be. We are embedding these priorities along with the new structures and processes that they involve.

There are of course impacts on our volumes and costs.

We have increased the number of turnarounds where we inspect and check our operations. Much of the impact is in our highest-margin areas.

But the benefit will come through in safe and reliable operations. That is good business.

Output in the Gulf of Mexico has fallen following the suspension of drilling. And BP is affected more than others as we are the largest producer there in the Gulf.

But we are taking steps towards getting back to work in the Gulf, as I will explain in a moment.

In other areas we’ve seen solid progress. In fact, we have had our best year for a decade in terms of access to new upstream opportunities.

We have taken positions this year in more than 50 exploration blocks in Trinidad, Azerbaijan, Australia, Brazil, India, the North Sea, Indonesia, Namibia and the South China Sea.

We have begun full upstream operations in Brazil and we recently completed our agreement with Reliance Industries in India.

Refining and Marketing is continuing to make strong progress in delivering its goals for earnings growth.
And in Alternative Energy we have expanded our interests in biofuels in Brazil and in the US.

We have been making progress across the globe - but we are certainly not satisfied.

**Listening to investors**

We have been listening to investors’ views carefully and we will be doing so today. We are committed and determined to seeing the true value of this business reflected in our market valuation.

We are actively working our plan to move BP forward and we are evaluating a wide range of possibilities. We recognize the pressure, but we will always emphasize the long-term when balancing the short-term urgencies.

As we have said before, it remains our intention to grow the dividend over time in line with the improving circumstances of the firm.

Let me give you a bit more detail on how we’re implementing these priorities, starting with safety and risk management.

**Safety & risk management**

We have created a new global Safety and Operational Risk organization – or ‘S&OR’ whose leader reports directly to me.

S&OR has a highly experienced central team which maintains our global standards.

It also has several hundred representatives deployed in the businesses to drive the disciplined application of those standards.

Working along side our operating teams, they have the authority to support, challenge, and intervene if needed.

Beyond S&OR itself, much has also changed within the businesses. For example we now have a single Global Wells Organization which drills our wells and takes a consistent global approach to managing risk.

**Rebuilding trust**

Our second priority for restoring value is to rebuild trust in BP.

This starts in the Gulf of Mexico where the focus has shifted from response to recovery.

Tourists have returned to the beaches. Fishing crews are having a good year. The clean-up is practically complete.
But we are still at work and we are absolutely committed to meeting our responsibilities.

As of the end of June, we had paid around $6.8 billion to meet claims and government payments.

We have also committed $1 billion to the early restoration of natural habitats.

By mid year, $8.6 billion had been paid into the Trust Fund. In fact that total is now close to $10 billion.

We have also announced that we will be implementing a new set of voluntary drilling standards in the Gulf of Mexico.

For example we will not drill any well from a dynamically positioned rig, anywhere in the world, unless the blow out preventer has two sets of blind shear rams and a casing shear ram.

These standards go beyond existing regulatory obligations but we believe they are needed and they have been welcomed by the US regulator.

**Sharing lessons**

We’re also committed to sharing the lessons we’ve learned with the industry, regulators and governments worldwide.

Our teams have travelled to 20 countries to explain what we have learned.

We have shared technology developed during the response, for example with the US Marine Well Containment Company.

Among many new developments in BP, some of the engineers who sealed the Macondo well have built a new containment cap to isolate any well blowout.

It is stored in Houston and maintained in a state of readiness, ready to be flown anywhere in the world if it is required.

We continue to co-operate with all of the investigations and hearings related to the accident.

There have been several in-depth inquiries, including those of the Presidential Commission and US Coast Guard, as well as our own.

All of these found that the accident resulted from multiple causes and was due to the actions of multiple parties. That seems common sense.

We expect the final reports from the Marine Board of Inquiry and National Academy of Engineers’ in the near future.

Less clear is the timing of the ongoing Department of Justice investigations.
There are also civil lawsuits against BP and many other parties. These have been largely consolidated into two Multi-District Litigation proceedings. One of these consolidated proceedings is pending in front of Judge Barbier in the Eastern District of Louisiana.

The first phase of this Limitation and Liability trial is currently scheduled for February 2012.

We are continuing to litigate vigorously the claims in the Multi District Litigation. So far, the Court has narrowed the plaintiffs’ claims and it continued to do so in last week’s ruling.

We believe the evidence will indeed show that this accident was multi-party and multi-causal.

BP expects all parties responsible for the Deepwater Horizon accident to pay their share of the costs, and we are working hard to ensure that they do so.

In the past several months, both MOEX or Mitsui, a co-owner of the well, and Weatherford, a contractor, have stepped forward to contribute. It is hard to imagine a future when other responsible parties make no contribution.

Inevitably this all means uncertainty for everyone, including our shareholders. There are no quick fixes of these complex issues. But the situation should become clearer as we move into 2012.

Growing value upstream

Let me now turn to our upstream businesses and our plans to grow its value.

The focus for growing value has five main elements,

- risk reduction
- active portfolio management
- the growth of operating cash from the portfolio
- investing to grow the core of our upstream business, particularly through more investment in exploration, and
- focusing on those specific growth engines where BP has distinctive capabilities and can add significant value. These are the deepwater, natural gas and giant field developments.

And across all these activities, we are deepening our relationships and building new partnerships with governments and National Oil Companies.
So these are the five drivers of upstream growth. I have already talked about risk reduction, but I’d like to say a little more about the other four.

**Active portfolio management**

What do we mean by ‘active portfolio management’?

For us, this means constantly looking out for possibilities to create value, either through divestment, acquisition or other portfolio changes.

This approach is already in evidence. More than $25 billion of divestments have been announced to date, mostly upstream –exceeding external valuations. We’ve done a lot already and there is more to come.

We will continue to look at the overall shape and scope of our global footprint, being prepared to make divestments or acquisitions of properties as appropriate.

And where we are the operator in promising areas, we will look to increase our working interest.

Let me briefly highlight two recent portfolio additions.

In Brazil, our acquisition of the Devon assets gives us a material position in one of the great deepwater provinces of the world. Here we can create value by deploying the experience developed in the Gulf of Mexico and Angola.

Meanwhile, in India, we have completed the transaction which brings us into a unique relationship with Reliance Industries and access to over 20 blocks there.

Together we will drive development of the most prolific gas basin in India.

And together we will form a 50:50 gas marketing joint venture to source and market gas.

Gas is a rapidly growing source of energy in India and this gives us a great position in that market.

**Operating cash growth**

The third driver of upstream value growth is to grow operating cash faster than production.

Over the next five years, we expect to see our average unit operating cash margin improve as we bring new projects online.

There are nine projects scheduled to start-up during 2012 to 2013, focused largely in Angola, the Gulf of Mexico, the North Sea, and Russia. Four will be operated by BP, two by TNK-BP and three by others.
Most of these projects will enhance unit cash flows as they are in higher margin areas.

We also expect that the growth in absolute volume from our assets will contribute significantly to operating cash flow in the next five years, assuming a constant price environment and adjusting for any divestments.

Let me give you some specific milestones in this journey:

After a shutdown of around 40 days, the Greater Plutonio field in Angola was brought back online at the end of June and it has now run at 170 thousand barrels per day for over 44 days.

In Iraq we reached our Improved Production Target late last year, and we continue to make strong operational progress. Today, the Rumaila field produces roughly 1.3 million barrels of oil per day.

We have had two new major projects come on stream recently - the BP operated Serrette platform in Trinidad and Total’s Pazflor field in Angola.

**Gulf of Mexico**

And we are also working to prepare for restarting our drilling operations in the Gulf of Mexico, once we receive approvals from the US regulator, as well as continuing to produce from existing wells.

We’re doing this by exercising great care in preparing our rigs and by following the voluntary standards that we have submitted to the regulator. We’re now implementing those standards and this has naturally delayed our rig fleet’s readiness.

So far one permit has been approved – and that is for the permanent abandonment of a well in the Atlantis field.

It’s the same pattern as elsewhere in BP – we’re investing the time it takes to apply new standards and take risk management to a new level. You should expect this from us.

**Increasing investment**

Let’s turn to the fourth driver of value creation – increasing investment for growth.

Around half of our capital spend will go to a set of new projects which will add production of up to one million barrels of oil equivalent per day by the end of 2016.

We will also be investing with more efficiency. We not only have a single global wells organization but a single global projects organisation. This
centralized process enables us to match the best people to the best projects and provides a smarter, global procurement model.

We are on track to double exploration spending in the next few years – investing in one of BP’s core strengths and capitalizing on the new access we gained this year.

In some places, we’re exploring new acreage in familiar areas such as Egypt and the UK.

In others, we are exploring in new areas such as the deepwater regions of Trinidad and Brazil.

As with any business, not everything goes as planned. Our plans to explore three blocks in the South Kara Sea with Rosneft and later to bring together the interests of BP, Rosneft and AAR in a new ownership structure for TNK-BP, did not reach fruition. We have moved on.

I recognize the uncertainties it created. I believe it was worth pursuing, but it was not worth implementing at any cost.

It has to be seen against the background of an outstanding year for global access by BP elsewhere around the globe.

And of course, we remain committed to Russia and the ongoing success of TNK-BP, a venture which has been successful every year since its inception in 2003.

**Future growth engines**

So this brings me to the fifth and final driver of upstream value growth.

These are what we call our ‘future growth engines’.

These are categories of projects from which we can create value at scale over many years using our distinctive experience and capability.

There are three such categories - first, the deepwater, second, natural gas value chains and third, giant oil and gas fields.

In the deepwater, we have learned the lessons of the Gulf of Mexico incident and we are grafting this learning onto the decades of experience that we built up prior to the accident.

We are confident in our ability to safely design, engineer and operate large deepwater installations.

And indeed, access to new deepwater opportunities has continued this year. And we intend to increase investment in the Gulf of Mexico, as well as in Trinidad, Brazil and Angola.
In natural gas, we will apply our expertise in working across countries to create integrated gas delivery value chains. Our work on the Shah Deniz gas field in Azerbaijan is a great example. There, the starting point for the gas chain is 6,000 meters below the Caspian Sea floor and the destination is the market of Western Europe, 3,000 kilometres away. Our relationship with Reliance in India will bring another major gas value chain into the portfolio.

We also have substantial plans to expand in Indonesia.

In giant resource plays, we will use our expertise in modelling the sub-surface to optimize reservoir management and maximise resource recovery.

These opportunities are matched to our strategy. They are material and they are technology led.

**Progress in Refining & Marketing**

In the downstream, the first half of 2011 has been a period in which we have done what we said we would do, in terms of safety and performance. The S&OR organization is now embedded in Refining & Marketing along with our Operating Management System.

Our pre-tax underlying profit for the first half of this year was $3.6 billion compared with $2.5 billion for the same period last year.

And we are on track to improve performance by more than $2 billion a year by the end of next year, compared with 2009. And that will amount to a cumulative underlying improvement of $7 billion per year against 2007.

At the same time, we are making investments to improve key strategic assets. In this competitive business, quality and scale are essential.

One of the largest of these is at our Whiting Refinery in the US. The modernization there will significantly increase capability to process heavy crude as well as giving the refinery a unique ability to access crude from three major geographic sources - the Gulf of Mexico, the Mid-continent US and Canada.

This program is expected to be complete in 2013 and we believe it will add about $1 billion per annum to operating cash flows.

In terms of portfolio simplification, we are progressing with our intention to divest about half our US refining capacity. In addition we continue to divest non-core positions and assets globally.

We’re also continuing to grow our leading petrochemicals and lubricants businesses. They enjoy major exposure to the world’s emerging growth markets.
So across Refining & Marketing, we are continuing to build momentum in terms of earnings and improved returns, a simpler portfolio and greater efficiency. Beyond 2013 we expect to deliver attractive returns well above the cost of capital.

**Moving BP forward**

So to summarise –

BP is a rapidly changing company. As you can see much has been done, but there is more to come.

2011 is a year of consolidation. But as you see here, in 2012 and 2013 we expect the momentum of our recovery to build as:

- we get back to work in the Gulf of Mexico,
- the margin mix of our upstream portfolio improves,
- uncertainties are reduced,
- the Whiting upgrade comes on-line,
- and we complete our payments to the Trust Fund in 2013.

At the same time we will increasingly focus both our portfolio and our investments on long term value growth.

A year after the Gulf of Mexico oil spill, the company is clear about its priorities.

We are consistently embedding safety and risk management in BP.

We are working to earn back trust in the US.

And we are taking steps to deliver value growth for our shareholders.

We are considering a range of options to restore the value we have lost in the past year, and improve our returns to shareholders.

We understand the imperative for urgency as we consolidate our recovery and define our forward path.

I am determined we will undertake this fundamental task and implement it rigorously.

I am pleased with the progress the management team is making. We have heard investor feedback, we are working closely with the Board of BP, and we are in action. There should be no doubt that at BP, the Board and management team are all fully committed to the task ahead.

So thank you for listening. And now over to you for any questions or comments.