The Economic Club of Washington, DC

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Introduction

Thank you, David. I'm honoured to be here, and I appreciate the very warm welcome and extremely thorough introduction. I understand that the best speech ever delivered in this forum was the one by former Boeing CEO Jim McNerney - who stood up, announced a $20 million donation to the Kennedy Center and then promptly sat back down. With oil stuck around $50, my speech will be a little bit different. But I'll follow Jim's lead in trying to keep it as brief as possible, so that we have plenty of time for the famous David Rubenstein interview.

It's great to be back in Washington, DC, where - for today, at least - things seem relatively quiet compared with the political scene over in London. Within the next few hours, we will know - or should know - whether the United Kingdom has voted to remain part of the European Union.

However the UK referendum turns out, the fact that it's even happening reflects the extraordinary changes - political, social and economic - taking place all around the world. We've certainly felt these changes in my industry.

The oil price challenge

Between June of 2014 and January of 2016, the price of oil dropped by more than 75%, and the global benchmark price has stayed below $55 a barrel since last July. The low price has rocked national economies, bankrupted dozens of companies and caused hundreds of thousands of people to lose their jobs.

Adding to the uncertainty, some of the world's biggest oil and gas producers are going through a period of transition.

Mexico is opening up its energy sector to private investment for the first time in nearly 80 years. Iran recently re-joined global markets. And Saudi Arabia is talking about privatizing at least part of its national oil company. Meanwhile, Russia continues to face economic sanctions; Venezuela is falling deeper into crisis; and the Middle East is confronting terrorism and civil war.

In years past, such instability would certainly have caused oil prices to skyrocket. That hasn't happened this time, largely because the shale revolution - which began here in the US - has dramatically increased global oil supplies and inventories. This has forced all energy companies to quickly adapt or perish.

At BP, we recognized early on - in late 2014 - that this was no ordinary price downturn; it was going to be longer and deeper than usual.

So we rapidly reduced capital expenditures, operating costs and headcount. These were painful adjustments - especially the workforce reductions - but they were necessary to keep our business competitive at a much lower oil price.

Roughly two years after prices began declining, I'm happy to report that global supply and demand recently have moved toward a better balance, and we expect this trend to continue in the second half of 2016. But we're not expecting the days of $100 oil to return anytime soon, so we must maintain our discipline and continue to improve our productivity.

The climate change

Beyond the oil price, companies like ours also face the challenge of transitioning to a lower-carbon future, which governments around the world agreed to do last year in Paris.

The challenge for all of us is to balance two competing obligations: We must curb greenhouse gas emissions to protect our environment, while also providing the safe, reliable, affordable energy that fuels economic growth in the developed world and lifts hundreds of millions of people out of poverty in the developing world.

BP welcomed the Paris agreement, and for years now we've been determined to be part of the climate solution. Nearly two decades ago, we publicly recognized the threat of greenhouse gas emissions and pledged to help address it. In fact, we were widely seen as the first major international oil company to do so.

In the years since, we have funded independent research, piloted new technologies and built low-carbon businesses ranging from wind farms in the US to biofuels in Brazil.

In fact, we currently have the largest operated renewables business of any major oil and gas company.

Yet we also recognize that, while renewables are the fastest-growing form of energy and have great promise, they are not yet ready to assume the burden of powering the world, which is expected to need a third more energy by 2035. In fact, BP's latest Energy Outlook projects that, under what we believe is the most likely scenario, non-hydro renewables will account for just 9% of global energy consumption in 2035.

In other words, it simply is not feasible to rapidly abandon fossil fuels. You can't flip a switch to a world powered by renewables. It's going to take time, and it must be done smartly.

Even under its most ambitious lower-carbon scenario, the widely respected International Energy Agency still sees oil and gas making up 45% of the energy mix in 2040. Again - that's under its most ambitious lower-carbon scenario.

For these reasons, BP supports a stable, orderly transition to a lower-carbon future.

The key elements of this transition will include, not only an expansion of renewables, but also improved energy efficiency, enhanced carbon mitigation technologies, and increased production of natural gas, which can help reduce emissions in the power sector while providing essential backup fuel for renewables. In fact, over the past decade, as gas production has boomed in the US - displacing coal in power generation - carbon emissions have declined significantly here.

But the most important element of a global energy transition will be the introduction of a price on carbon.

After investing $8 billion in low-carbon energies over the past decade, we've learned the hard way that carbon pricing is crucial to helping renewables compete on a global scale. But it must be done in a way that doesn't favour particular ways to reduce emissions, doesn't discourage the development of still-unknown technologies and doesn't disadvantage the US in global competition. We should let the market drive the best solutions.

We believe that's the framework necessary for a successful energy transition. But it's a framework that only governments can set. And within that framework, we are confident we can help reduce emissions while still delivering energy to the world and value to our shareholders.

Deepwater Horizon and BP's safety progress

While the entire industry is grappling with the oil price downturn and the climate challenge, BP, as you know, has faced additional challenges here in the US, related to the tragic 2010 Deepwater Horizon accident in the Gulf of Mexico. The accident rocked our company to its core, but we were determined to do the right thing. Even before the accident was investigated or blame adjudicated, BP immediately committed to help the Gulf region recover, and we've spent the past six years - and tens of billions of dollars - doing just that.

We also committed to become a safer company, and since then we've adopted tougher standards, enhanced training, better oversight and new technology, while reinforcing that everyone at BP has the power - and the responsibility - to stop a job if something doesn't seem right.

Our response to Deepwater Horizon certainly was not perfect, and we deeply regret our role in the accident. But we're proud of the progress we've made since then, and we're committed to becoming even safer in the future.

Conclusion: our concerns with America's business environment

Throughout all this, BP's commitment to America has never wavered.

We remain the nation's largest energy investor, with more than $90 billion invested over the past 10 years. I know billions don't resonate like they used to, but our investments support nearly 190,000 US jobs, and they contributed $135 billion to the US economy in 2014 alone.

Despite our challenges here, BP continues to make these investments because of America's unique combination of abundant natural resources, highly skilled workers and a culture of innovation.

However, we also have noticed some disturbing trends lately - and we're not the only ones.

All around the world, I meet with CEOs, government officials and others who raise concerns about the growing risk of doing business in America.

There are three concerns in particular that come up time and again. First, the US has an increasingly tangled web of government regulations, many of which seem redundant and needlessly burdensome.

Second, it seems increasingly litigious, and the tort system allows for costly abuses. (Unfortunately, we at BP know this problem better than most.)

And third, the US political system is demonstrating an increasing inability to come together and get things done, and that's making it harder for policymakers to think long-term and plan for the future, both of which are essential to solving the problems we face.

I say all this not only as an energy executive, but also as a concerned American who hopes that our next president - whoever that may be - will work with Congress to pursue sensible reforms and focus on long-term solutions.

I know that David will likely expand on these topics - along with many others - during our conversation. But I wanted to at least frame the discussion by explaining what we do and the challenges we face. So with that, let me turn things back over to him. Thanks so much.