bp high level climate policy positions

May 2023

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Introduction

The public policy environment is key to bp's success and in helping the world to get to net zero. We advocate for a policy framework that can support our strategy and our sustainability frame, including our net zero ambition and aims.

Recognising investor and broader stakeholder interest in our policy engagement, we have set out below our high-level climate policy positions. These are summaries and are therefore not comprehensive.

As context for these policy positions, we support well-designed public policy that enables delivery of a rapid and orderly energy transition consistent with the goals of the Paris Agreement, while giving due consideration to the affordability of energy and security of supply (the energy trilemma). If policies do not effectively deliver on all three aspects of the energy trilemma (affordable, secure and lower carbon), we believe that this could risk generating market dislocations, negatively affecting societies and economies and undermining public support for the energy transition.

Governance

The BP p.l.c. Board approves the company's strategy and its net zero ambition and aims. One of the matters within the remit of the Board's Safety & Sustainability Committee is oversight of the effectiveness of implementation of bp's sustainability frame, including the implementation of bp's net zero ambition and associated aims and targets. Of these, bp's Aim 6 is to more actively advocate for policies that support net zero, including carbon pricing. In April 2023, the high-level climate policy positions set out below, as well as examples of bp's climate-related advocacy activities, were provided to the Committee for their consideration. At management level, bp's Issues & Advocacy meeting and Sustainability Forum consider policy and advocacy issues and positions respectively – see further bp's Annual Report and Form 20-F 2022.

Support for the Paris Agreement

bp believes that the world is not on a sustainable path. We support the goals of the 2015 Paris Agreement on climate change, including pursuing efforts to limit the global temperature increase to 1.5°C. To achieve those goals requires a rapid transition to more balanced, lower carbon energy system. This needs action from everyone, including producers, market operators, infrastructure operators, users and policy makers. The private sector has the potential to play an important role (enabled by the policy environment) – including by setting and delivering on net zero ambitions consistent with the Paris Agreement.

Aim 6 of our Sustainability Frame is to advocate more actively for policies that will support net zero. bp believes that there is a need for enhanced climate policy and regulatory frameworks to incentivize and to support timely economy-wide decarbonisation. We support and advocate for well-designed policies and regulation to drive decarbonisation, consistent with global attainment of the Paris climate goals, including pursuing efforts to limit the global temperature increase to 1.5°C.

We support the setting of ambitious Nationally Determined Contributions (NDCs) consistent with achieving the Paris Agreement climate goals ahead of the global stocktake on emissions due to take place for COP28 in 2023. bp welcomes and supports the decision by an increasing number of countries to declare net zero greenhouse gas (GHG) emission targets and goals by 2050 or sooner.

Energy market designs

We believe that well-designed markets are essential to deliver the fundamental restructuring of the global energy system that is needed to address climate change.

We believe the energy transition must include increasing supplies of low carbon and renewable electricity, low carbon flexible technologies (e.g. electricity storage and demand management), low carbon and green hydrogen, lower carbon fuels (e.g. biogas and biofuels) and use of carbon removals technologies. Market designs should effectively incentivise these technologies to enable their deployment at the scale and pace necessary, including through effective carbon pricing, as well as enable investments to deliver a fit for purpose network and ancillary infrastructure.

As far as the assessment of the contribution of each technology to achieving decarbonisation is concerned, we support the use of lifecycle carbon intensity of power and fuels to measure it.

Renewable energy

We support the use of public policy to enable the growth of renewable energy, which we believe is vital for the world to get to net zero.

Policy has an important role to play in driving the adoption of renewables and de-risking investments (e.g. through carbon pricing, contracting mechanisms, targets and tax credits). As renewable penetration increases, it will be important to maintain security of supply and minimise costs by incentivising flexible technologies and services on both the supply (e.g. electricity storage) and demand side (e.g. EV charging) to complement variable generation, including through efficient market design. For renewables, as for other components of a lower carbon energy mix, we support streamlined and expedited permitting processes which enable their rapid deployment at scale while maintaining appropriate safeguards for local communities and the local environment.

Transport and mobility – including biofuels, hydrogen and EVs

For transport, a challenging sector to decarbonise, we see roles for electricity, hydrogen, biomethane, and biofuels – including battery electrification in road transport, hydrogen and its associated fuels in shipping, and renewable liquid fuels in aviation.

bp supports the electrification of cars and vans and calls for a mixture of actions and policies to make it a reality, with a focus on enabling the deployment of EV charging infrastructure to build consumers' confidence to switch to an EV. Until electrification is adopted at scale for road transport, the most significant reductions in emissions can be achieved by increasing the efficiency of internal combustion engine (ICE) vehicles and decarbonising the fuels they use. We support policies to help achieve these outcomes, such as Low Carbon Fuel Standards, Sustainable Aviation Fuel (SAF) mandates, and eligibility of novel sustainable feedstocks (such as Carinata Oil).

We also support policies to enable renewable natural gas to play an important role in decarbonising transport, both directly as a fuel in trucks and in generating lower carbon electricity for EVs.

We are confident that biofuels can be sustainable, where biofuel production considers and effectively manages impacts on land use, food production and sensitive environments. We work with governments, NGOs, certification schemes and other businesses to help improve the sustainability criteria and assurance of the biofuel supply chain. Among others, bp supports the use of low Indirect Land Use Change (ILUC) risk feedstocks such as wastes and sustainable cover crops for biofuels.

Coprocessing of bio-feedstocks at refineries is currently the most cost-effective means of

manufacturing lower carbon fuels quickly and at scale and should be a recognised and supported means of lower carbon fuel production.

Hydrogen

We believe hydrogen has a critical role in helping the world to achieve net zero – it will be pivotal in the decarbonisation of hard-to abate transportation and industrial sectors as a fuel, where electrification alone is not commercially or technically feasible, and as a feedstock for industrial processes. We are supportive of and advocating for schemes to provide certification of low carbon hydrogen as we believe this will help build a trusted market and international trade in this valuable tool for decarbonisation.

Low carbon hydrogen – both 'green' and 'blue' – has a key role to play, and its deployment speed and scale will depend on regional factors including access to affordable and abundant renewables.

This is a nascent sector and will require government and policy support for initial scale up and further deployment.

Energy efficiency

We support policies that drive energy efficiency, such as for buildings, industrial processes (including oil and gas operations), vehicles and appliances. We believe that energy efficiency has a major role to play in the energy transition and can improve energy affordability and sustainability.

Biodiversity

We support international efforts (including policy) to halt the decline in biodiversity, to take action to enhance biodiversity, and to protect sensitive areas that house the rich natural and cultural heritage of our planet. We recognize that there is an intrinsic link between the need for global action on biodiversity and climate change.

We have committed not to operate any new oil and gas exploration and production activities in UNESCO World Heritage sites, and Strict Nature Reserves IUCN Ia) and Wilderness Areas (IUCN Ib).

Carbon pricing mechanisms and emissions trading

We believe that a well-designed and economy-wide carbon price – whether by means of a carbon tax or a cap-and-trade scheme underpinned by emissions trading – is an economically efficient way to reduce GHG emissions. A carbon price provides the right incentives for everyone – energy producers and consumers alike – to play their part in reducing emissions.

Where regional circumstances mean that sub-national or sectoral approaches are preferred, an established and sufficiently high carbon price can also be effective in driving abatement and investment in new low carbon solutions, such as Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) for the aviation sector.

Carbon credits

bp supports the use of carbon offsets or credits (both for carbon emission reductions and removals) by our customers and by countries. They play an important role in enabling the world to get to net zero and meeting the Paris Agreement goals.

Well-designed and differentiated government policy that promotes the regulation, incentivisation and accelerated deployment of carbon emission reductions and removals is necessary, and we encourage governments to set targets for a fixed amount of removals to be achieved at a national level to help deliver the Paris temperature goal and to help lower the cost of removal technologies. For natural climate solutions (NCS) removals, we support

policies which recognise the hierarchy of NCS investments by encouraging early investment in efforts to protect NCS, followed by activities to manage NCS and then activities restoring NCS.

bp supports the implementation of Article 6 of the Paris Agreement, which serves as a framework for international carbon markets. This should be utilised to recognise and accelerate investment in carbon emission reductions and removals.

bp advocates for the application of comparable quality standards in jurisdictions that allow - or are considering allowing - the use of offsets for compliance and is actively participating in several initiatives and trade associations that develop and strengthen the quality of the compliance and voluntary offset market (e.g. IC-VCM, ICROA, IETA, NCSA).

Methane emission standards

We support well designed emissions reduction regulations (including for effective measurement, reporting and verification) which could be in the form of mandates, standards or the direct regulation of emissions, such as the federal regulation of methane emissions in the US, which we have publicly supported.

Carbon capture, utilization and storage (CCUS)

CCUS will play an important role in decarbonising industry and enables the production of some low carbon fuels, hydrogen and dispatchable power. CCUS can be deployed on both new and existing assets, and can offer for the latter significant cost, scale, and pace advantages. It may also support large scale CO2 removals globally by permanently storing carbon captured from bioenergy plants or directly from the air.

We support public policies which provide viable and stable business models for each part of the CCUS value chain - capture, transport, use and geological storage. These can be achieved through a well-designed carbon price, and / or other targeted policies such as tax credits, contracts for difference or obligations. Alongside these policy frameworks, bp supports the development and roll out of robust regulation to enable the growth of a safe and responsible CCUS industry.

Human rights and just transition

We support the UN Guiding Principles on Business and Human Rights and are incorporating them into the processes, policies and guidance that support our activities.

We support a just energy transition that delivers decent work, quality jobs, fair pay and supports the livelihoods of local communities. bp believes that respect for human rights and strong environmental and social performance underpin a just transition. We are calling on governments to help enable projects and developers to play a positive role by including appropriate assessment criteria into the bid processes for low carbon energy projects.

We support government collaboration with the education sector and business to enable the right skills to be available at the right times and in the right volumes to help meet the real world needs of the private sector.

We support the development of climate policy which is designed to create positive social impacts, and which aims to anticipate and mitigate negative social impacts. We support policy that is inclusive and creates mechanisms for engagement between government, workers, communities, civil society, and enables companies to collaborate on a just transition.

Note on high-level policy positions

These are high-level positions. In our experience the detail of specific policies and regulations is crucial for their success:

- new policies and regulations generally need to interact effectively with a range of existing measures, and these interactions can be complex.
- each policy maker needs to tailor their policies to the unique circumstances, challenges and opportunities of their country and their specific social, political and economic environment.

For these reasons, to achieve the relevant policy objectives while avoiding unintended consequences it is essential that climate policies – like any other policies – are well designed. We plan to keep our policy positions under review as our understanding of what works most effectively evolves with experience, so we may update these high level positions from time to time.

Trade associations

Trade associations of which bp companies are members may themselves hold climate-related policy positions and conduct climate-related policy advocacy. bp's latest update report on participation in such trade associations was published in April 2023 -

(https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/our-participation-in-trade-associations-2023-progress-update.pdf