



Joe Ellis

Vice President and Head of US Government Affairs

April 15, 2021

The Honorable Deb Haaland
U.S. Department of the Interior
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Washington, D.C. 20240

bp America
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Washington, DC 20005

Submitted electronically via e-mail energyreview@ios.doi.gov

Subject: BP America comments on DOI review of the federal oil and natural gas leasing program

Dear Secretary Haaland:

Thank you for the opportunity to comment on the review of the federal oil and natural gas leasing program. BP applauds the Biden Administration's climate agenda, especially its focus on getting to net zero by 2050 – an ambition we share.

BP's purpose is to reimagine energy for people and our planet. We also have an ambition of becoming a net-zero company by 2050 or sooner and of helping the world get to net zero. We know accelerating meaningful action on climate requires close cooperation between governments, companies, and consumers – and this is the critical decade.

We are committed to playing our part by delivering solutions that reduce the risks of climate change and provide cleaner, more affordable and more reliable energy. We aim to be net zero across our operations by 2050 or sooner and to actively advocate for policies that advance net zero.

BP believes the U.S. has a critical role in the energy transition. Successfully leading this transition – while remaining competitive relative to other producing regions of the world – requires a balanced approach to leasing and fiscal policies, one that allows for responsible oil and natural gas development in federal waters. We submit our comments with this objective in mind.

BP is committed to America

BP has a 150-year history in America and is committed to the U.S. for the long-term. We have a larger economic footprint in the U.S. than in any other country – we invested more than \$130 billion in the U.S. between 2005 and 2020. BP's business activities support more than 125,000 American jobs and contributed more than \$90 billion to the national economy in 2019. bp is one of America's largest oil and natural gas producers. In addition to producing oil and gas, we are the largest marketer of natural gas in North America.



BP has a long and material leasehold position in the Central and Western areas of the Gulf of Mexico (GoM). We currently operate four hubs in this region: Atlantis, Mad Dog, Na Kika, and Thunder Horse. Our fifth operated hub, Argos, is in the final stages of the project. The Argos floating production platform has arrived in the U.S. for pre-commissioning work ahead of the 2022 production start. BP plans to grow our production to around 400,000 barrels of oil per day in GoM. Directly impacted by this review, our position in GoM is core to BP's portfolio and our long-term strategy to reach net-zero by providing the cashflows to fund our low carbon transition.

We also have a significant non-operated footprint in four hubs: Mars, Olympus, Great White and Ursa.

In addition to our GoM business, in September 2020 BP entered the U.S. offshore wind market through a partnership with Equinor. This is our first offshore wind venture in the U.S. and an important step towards our strategy of developing 50GW of renewable power by 2030. Although not directly impacted by this review, we expect the lessons learned here will inform the leasing process for offshore wind. We look forward to working with DOI to transfer these learnings to offshore wind and advance the energy transition.

Continued leasing in Central and Western GoM

BP advocates for continued leasing in Central and Western areas of GoM. This is critical for ongoing business planning and to drive the investment and technological innovation required to maintain the attractiveness of this region, drive down carbon emissions and continue to make a material economic contribution to U.S. economy.

GoM is a well-regulated oil producing region with stringent safety and environmental control measures in place. This is one of the factors that makes the GoM's environmental footprint lower than other regions in the world. BP shares the administration's goal of a robust and effective leasing program that encourages continued investment in the GoM, one of the premier producing regions in the world.

BP recognizes some observers believe companies have "stockpiled" leases in federal waters and therefore no additional lease sales are warranted. Offshore exploration and development of leases is a complex process: once a lease is acquired, it requires rigorous technical and commercial assessments before final investment decisions are made. These decisions can take years and often no development occurs. Because of this complexity, there will always be a certain number of assigned leases that are not producing.

BP is committed to diligent lease management and does not "stockpile" leases. Our three-step lease maintenance process ensures that we:

- carefully choose the leases on which we place bids at lease sale,
- determine the best path forward to evaluate and mature each lease, and
- monitor our leases as the evaluation proceeds to identify the ones that do not rank high and would be candidates for early relinquishment.



Over the past decade, BP has been one of the highest bidders at lease sales while also reducing our leasehold positions from approximately 300 exploration leases to approximately 130 exploration leases. We believe there are enough safeguards in place to disincentivise “stockpiling” of leases such as mean of the range of values (MROV) assessment, minimum bid requirements, permitting lead time, lease term, and escalating rentals.

Vetting of qualified operators

BP believes that DOI should consider heightened scrutiny of potential operators’ ability to meet long-term financial obligations attached to a lease. This would strengthen mitigation efforts against the risk of premature abandonment of properties and subsequent uncertainty around decommissioning liability. We recommend DOI revisit the financial assurance rule that strengthens financial requirements (e.g., bonds sufficient to cover decommissioning liability) and provides clear guidelines on predecessor liability, preferably in reverse chronological order. We advocate for phased-in implementation, with a risk-based focus on offshore properties in their later economic life cycle.

As indicated above, offshore development of oil and natural gas is complex – but it is also a capially intensive business from entry to abandonment phase. In an increasingly challenged economic environment, there are recent examples of companies failing to fulfil their obligations and shifting liability to others. This introduces uncertainty and risk to companies that have long sold those assets and could affect overall investment in offshore development. Moreover, the lack of clarity regarding financial assurance requirements increases the potential for decommissioning costs to be transferred to the taxpayer. It is critical to future development to ensure companies that invest in offshore leases have provided financial assurance and have the financial capacity to address all obligations legally assumed or created. There is urgency to address this risk and we urge DOI to re-engage with all stakeholders on this complicated issue.

More efficient leasing process

While we do not recommend major changes to the overall leasing program, we believe there are some improvements that could make the lease sale process more effective.

1. **Electronic Bid Submission:** BP recommends implementing an electronic means of bidding and Geophysical Data and Information System (GDIS) submittal which would help streamline the process and eliminate the need for in person travel to the Bureau of Ocean Energy Management (BOEM) office or risk of losing documents via courier services. Also, the tabulation of bid count and amounts could be a more automated process reducing costs and time spent going through the bidding documents.



Over the past year, BOEM has adopted modernization into their processes in various ways including electronic assignment submission, online tracking of these assignment and an inbox for general questions. However, the current lease sale process continues to require bids be submitted in person or via mail. Additionally, the bid package requires paper copies for the GDIS submission. Moving to more electronic and automated systems would improve efficiency of the bidding process.

2. **Annual GoM-wide Sale:** BP recommends having one GoM-wide sale a year. This would allow a focused and targeted opportunity for companies to access new leases while reducing the number of federal lease sales BOEM would be committed to conducting.

Under the existing five-year plan, there are two GoM-wide sales that take place five months apart. This is a carryover from a time when GoM had separate lease sales – one for central and another for the western planning areas. A single sale event each year would increase rigor in the bidding process and allow DOI to better manage the performance of existing leasehold.

Conclusion

As BP continues its transition from international oil company to an integrated energy company with increased investment in renewables and lower carbon energy, **resilient and focused hydrocarbons will remain a critical part of our strategy and the engine that funds our transition.** GoM is a region where we have established experience, where we have existing relationships and where we want to continue our investment to produce safely and responsibly.

Thank you for your consideration of these comments. Please contact Nuno Alves (nuno.alves1@bp.com) or me with any questions.

Sincerely,

A handwritten signature in black ink that reads "Joe Ellis".

Joe Ellis
Vice President and Head of US Government Affairs