

BP positions - 27 March 2020

---



# BP positions

Updated: 20 March 2020

## Contents

BP positions .....	1
Introduction.....	3
1. Air quality.....	4
2. Arctic .....	5
3. Biofuels.....	6
4. BP and society.....	8
5. Carbon life cycle assessments.....	12
6. Carbon offsets.....	13
7. Carbon capture, utilization and storage (CCUS).....	10
8. Carbon pricing.....	15
9. Climate Action 100+ .....	17
10. Climate change adaptation .....	18
11. Energy efficiency.....	19
12. Fossil fuel divestment .....	20
13. Fossil fuel subsidies .....	21
14. Gas .....	22
15. Gender pay gap.....	24
16. GHG emissions .....	27
17. Human rights .....	29
18. Hydrogen .....	31
19. Methane .....	32
20. Non-operated joint ventures .....	35
21. Oil .....	36
22. Paris Agreement .....	38
24. Plastics.....	40
25. Purpose and ambition .....	43
25. Responsible supply chain management .....	44
26. Revenue and contract transparency.....	45
27. Reward.....	46
28. Scope 3 and customer emissions .....	47
29. Sensitive and protected areas .....	48
30. Tax .....	49
31. TCFD .....	50
32. Trade associations and advocacy .....	52
33. Transport .....	54
34. Water management .....	56
Appendices - further information sources .....	57

## Introduction

On 12 February BP adopted a new purpose - 'reimagining energy for people and our planet'. To make this purpose a reality we have adopted the ambition to become a net zero company by 2050 or sooner, and to help the world get to net zero. It is the goal of BP advocacy to use our expertise, influence and resources to bring about the significant changes in policy required to achieve this ambition.

It is therefore vital that colleagues representing BP are equipped to articulate our views and positions in clear and compelling terms. And that colleagues can respond quickly, confidently and consistently to the rapidly evolving landscape around many of these issues.

**Formatted:** Highlight

To support this *BP Positions* provides a single source of reference for our positions across key environmental, social and governance-related topics.

**Formatted:** Highlight

- Our positions are stated in concise and accurate talking points that can be used to engage, advocate and persuade on BP's behalf.
- Unless stated otherwise, these points can be used proactively.
- Primarily, they are intended for use when engaging with policymakers, investors, media, business partners and broader civil society but may form the basis of other spoken or written communications or correspondence with internal and external audiences.
- Content should be used with an appropriate level of contextual information - for example, by referencing an external source.
- References to sources of additional detail are included where available, as well as the name of relevant subject matter experts in most cases.

*BP Positions* communicates the policy decisions of the Policy and Advocacy Working Group (PAWG). This group scrutinises and informs BP strategic, commercial and operational activities and agrees public policy positions on salient environmental and social issues, including climate change, based on the recommendations of subject matter experts.

*BP Positions* is a living document owned by Communications & External Affairs (C&EA), with the Investor Relations, Legal, and Policy and Stakeholder Relations teams as key participants in the process. It can be found in MS teams and will be regularly updated.

If you have any queries/concerns about content, please contact Phil Grainger (C&EA) and Ciara Sheehan (Policy and Stakeholder Relations) in the first instance.

## 1. Air quality

What is BP doing to improve air quality?

---

### Key messages

- Tackling air quality is increasingly important to communities, governments, and other stakeholders, driven mainly by public health concerns.
- We are in action across BP improving our products and creating new businesses that can help to improve air quality.
- Electric vehicles will play a role in lowering GHG emissions from transport and improve air quality.
- BP supports well-designed regulations to improve air quality.

---

### Additional talking points

- As it is predominantly a local issue, it requires tailored local solutions. It can be affected by a range of specific local factors including industry, traffic, weather and geography.
  - Air pollution is not primarily an issue of GHG emissions, but usually related to emissions of sulphur oxides, nitrogen oxides and particulates.
- We are working hard to bring electrification to our customers. We're investing in new forms of infrastructure and technology such as ultra-fast charging.
  - We now provide a network of 7,000 charging points across the UK, and we recently started the roll out of ultra-fast chargers on our forecourt network.
  - In Germany we are piloting ultra-fast chargers at some of our key retail sites.
  - In China, in partnership with DiDi Chuxing, we are developing a network of charging hubs to serve the world's largest EV fleet (600,000 Electric Vehicles).
- As a responsible operator BP requires major projects and operating businesses to manage air quality risks from our activities.
  - We conduct environmental screening, impact assessments and modelling to ensure that we are meeting regulations governing emissions from our operations. This includes transport, aviation, and our shipping fleets:
  - We monitor our air emissions and put measures in place to reduce the potential impact of our activities on the surrounding community.
  - In our unconventional gas operations in the US, we use lower sulphur fuels in our drilling rig engines and hydraulic stimulation equipment, which reduces sulphur dioxide emissions.
  - In shipping, we are introducing six liquefied natural gas (LNG) carriers with energy-efficiency enhancements. They are designed to use approximately 25% less fuel and emit less nitrogen oxides than our older LNG ships.
- We participate in industry groups that are engaged in the development of these regulations.
  - For example, we are members of IPIECA - a founding member of the UN Environment Programme Partnership for Clean Fuels and Vehicles and an active participant since 2002.

See also positions on: GHG emissions

**Commented [M11]:** Q: How does this statement align with the US Clean Air Act (federal level)? Does “tailored local solutions” conflict with support for federal clean air act regs of VOCs and other pollutants?

**Commented [M12]:** Should this be up-leveled to say: “...usually related to emissions of volatile organic compounds, such as: x, y, z”

**Commented [M13]:** Check with Mark B: charging infrastructure as part of TCI? (Northeast Electric Vehicle Network)? Can we point to our support of TCI as an example of supporting electrification build out in the US?

## 2. Arctic

Does BP operate in the Arctic?

---

### Key messages

- Status: this position is being updated in line with other work and further details will follow.
- By 2020 BP will have exited almost all Arctic operations following the sale of our Alaska business.
- While BP has investments in offshore Arctic in Greenland and Canada, there are currently no physical operations taking place in these locations.
- BP has an indirect interest in some Russian Arctic operations via our investment in Rosneft, and one onshore Arctic exploration joint venture.
- BP will share its knowledge and experience in the Arctic with the operators we work with to help deliver safe and responsible operations in this sensitive environment.

---

### Additional talking points

- After several decades we have agreed to sell our business in Alaska as part of our on-going divestment programme.
  - The sale is expected to be completed in 2020.
- We may continue to assess opportunities in the Arctic, but only if projects fit with our strategic focus on 'advantaged' oil and gas.
  - We will only invest where we find oil and gas that is advantaged in terms of the strong economics, low risk profile and a low carbon intensity.
  - We recognize that the challenges of operating in the Arctic, and its environmental sensitivity, will tend to make it less likely that opportunities in the Arctic will be "advantaged".

See also positions on: Sensitive and protected areas

### 3. Biofuels

What is the role of biofuels in the energy transition?

---

#### Key messages

- Biofuels have a vital role to play in reducing emissions from transport.
- But not all biofuels are made equal - sustainable biofuel production must take into account impacts on land use, food production and sensitive environments.
- We welcome well-designed, stable and long-term policy frameworks to incentivize and support investment in sustainable biofuels.
- BP is expanding its investment in biofuels and positioning for future growth.

---

#### Additional talking points

- Biofuels can reduce emissions in sectors such as aviation, marine and haulage that are harder to electrify.
  - BP agrees with the views of multiple studies that - with improved technology and agricultural productivity - there is adequate land to meet food, feed and local community demands out to 2050 as well as providing for sustainable bioenergy supply<sup>1</sup>.
  - Sugarcane is currently one of the most efficient raw materials used in biofuels production. Ethanol, its derivative has life cycle GHG emissions around 70% lower when compared with conventional transport fuels. By blending biofuels with conventional fuels, parts of existing infrastructure can be used to reduce emissions from cars on the road today.
- Current biofuels policy varies regionally and takes into account specific regional issues such as agricultural objectives and energy security.
  - For biofuels to have an impact on the ability of vehicle manufacturers to meet their CO2 targets, vehicle legislation needs a mechanism to recognise the contribution of renewable fuels.
  - Other transitional policy measures may be required such as appropriate blending targets and policies to support and bring to market 'advanced' biofuels.
- BP Bunge Bioenergia is a 50/50 standalone joint venture with Bunge in Brazil. It is the second largest producer of sugarcane bioethanol in one of the largest and fastest growing ethanol markets in the world.
  - BP is an active participant in the biogas market and has invested to process renewable feedstocks alongside traditional fossil fuel feedstocks to produce diesel at several of its refineries.
  - We are also an active participant in the emerging biojet supply chain, having invested in Fulcrum Bioenergy, a company planning to use BP technology (also licensed by our partner Johnson Matthey) to convert domestic waste into biojet fuel.

**Commented [MR4]:** Should we highlight our Butamax jv - an ethanol alternative that reduces carbon emissions by offering higher mpg.

<sup>1</sup> IPCC, 'Climate Change and Land', August 2019; IPCC, Global Warming of 1.5°C, October 2018; Concawe, 'Impact Analysis of Mass EV Adoption and Low Carbon Intensity Fuels Scenario', September 2018

---

## Further information

### ▫ Sugarcane sustainability

- Sugarcane is higher yielding, and requires fewer agricultural inputs, than other biofuels such as corn ethanol and can grow on land that is not well suited for growing food.
- In Brazil, sugarcane is subject to agroecological zoning regulations by environmental agencies. All of these exclude expansion into sensitive biomes like the Amazon and Pantanal.
- The proposed BP Bunge joint venture's sites are located hundreds of kilometers from the Amazon rainforest
- Currently under c.2% of Brazil's arable land is used to cultivate sugarcane for ethanol purposes, which meets c.35% of the country's gasoline demand.

### ▫ BP Bunge

- BP Bunge is a 50:50 joint venture with Bunge - a leader in agriculture, food and ingredients - that has created a leading bioenergy company in one of the world's largest fast-growing markets for biofuels.
- Brazil is the world's second largest and most integrated market for ethanol as a transportation fuel with demand forecast to grow rapidly.
- The majority of vehicles in the country - around 70% - are already able to run on ethanol and the country's demand for ethanol is anticipated to increase by around 70% by 2030.
- BP Bunge Bioenergia has 11 biofuels sites in Brazil. With 32 million metric tonnes of combined crushing capacity per year, the joint venture produces a mix of ethanol and sugar.
- Biopower is created through the production process, enabling sites to be energy self-sufficient and export excess power to the grid. All sites have co-generation biopower facilities, with scope for future expansion possibilities.
- In 2018, the two businesses (BP Brazil & Bunge) produced a total of around 2.2 billion litres of ethanol equivalent and, after powering the sites, exported 1,200 gigawatt hours of low-carbon biopower to the national grid.

See also positions on: Transport

#### 4. BP and society

How does BP see its role in society?

---

##### Key messages

- Our purpose is reimagining energy for people and our planet.
- Energy with purpose means using our experience, expertise, reach and relationships to improve lives.
- We are creating a team dedicated to helping countries, cities and corporations around the world decarbonize.
- We welcome constructive dialogue and debate on the role of our sector and our company in society.
- We want to contribute to sustainable development and are working to do more to support the delivery of the UN Sustainable Development Goals (SDGs).

---

##### Additional talking points

- BP makes significant contributions in the countries and communities where we operate.
- We are an inclusive employer, a taxpayer, a supplier of energy and a driver of economic growth.
  - The value we create can transform communities, even nations.
- Through our supply chains we support over 50,000 suppliers in around 80 countries - contractors, vendors, service providers and contingent labour.
- We also recognize that we are part of a wider community.
  - That's why we work actively with local groups and NGOs.
  - And it's why we are supporters of STEM education, Paralympic sport and the arts.
- In 2019, BP generated an estimated \$283bn in economic value, including:
  - \$234bn for our supply chain
  - \$9.8bn in total for our 70,000 employees
  - \$6.9bn in taxes to governments
  - \$100 million in supporting efforts to improve standards of living in the communities where we operate.
- We share many people's concern about the future and their frustration about the pace of change of the energy transition.
  - We want to share views on how we can help accelerate the low carbon transition.
  - We respect the right for peaceful protest, but we can't condone demonstrations that risk the safety of our employees, the public or the protestors themselves.
- The best way to find solutions is collaboration, not polarization.
  - That means not simply broadcasting our opinions but really talking and understanding each other's perspectives.

BP positions - 27 March 2020

- **BP has been a supporter of the arts in the UK for over 50 years.**
  - We're proud that over the years our support has enabled millions of people to enjoy the world's best actors, singers and exhibitions for free.
  - Our support for the arts more broadly in the UK has provided access to world-class events to millions of people over more than 50 years.
  - This is all part of our commitment to giving back to the communities where we live and work.
  - We know that **our funding of the arts is in the spotlight**. We understand the points of view being put forward, and we believe that climate solutions will be reached more quickly through dialogue and engagement.
- **We strive, in the way we operate, to support the delivery of the UN Sustainable Development Goals.**
  - Our core business of delivering energy to the world relates directly to goals 7 (affordable and clean energy), 8 (decent work and economic growth) and 13 (climate action).
  - Through IPIECA and the World Business Council for Sustainable Development (WBCSD) we're working to develop a sector roadmap to accelerate the sector's contribution to the goals.
- **We make targeted social investments that contribute to sustainable development. These support our community engagement and align with specific local needs. In 2019 our social investments included:**
  - BP Angola and the Halo Trust are training local women as 'deminers' to help find and clear landmines, helping the government reach its target for making Angola landmine free by 2025.
  - BP South Africa's partnership with the National Empowerment Fund that provides funding, mentoring and business development coaching for those working in our dealer network, with a particular focus on helping black women.
  - In India, we're working with the Clean Energy Access Network (CLEAN) to give local people the skills required to work in the energy generation sector, which has the potential to bring clean energy, such as solar, to people in rural areas.
  - In the UK we invest to develop talent in our local communities through our support of STEM subjects (science, technology, engineering and maths).

**Commented [M15]:** Definitely in the spotlight in the UK. Not so much in the US. Do we want to highlight any examples of continued support for the arts in the US?

**Commented [M16]:** Example from the US?

See also positions on: Human rights, Our purpose and ambition, Trade associations and advocacy, Tax.

## 5. Carbon capture, utilization and storage (CCUS)

What is the role for CCUS in the energy transition?

---

### Key messages

- CCUS is likely to play an important role in getting the world to net zero. The UK Committee on Climate Change called CCUS “a necessity not an option”.
- CCUS can help the world meet the Paris goals at lower cost. The IPCC has set out scenarios in which deployment of CCUS more than halves the cost of limiting temperature rise to 2 degrees. This is critical in maintaining public and political support for getting to net zero.
- CCUS can achieve deep emissions reductions in parts of the economy where using renewables is technically or economically unfeasible.
- CCUS is a proven technology, but government support is needed to commercialize it, deploy it at scale, and bring down costs.
- BP is working with partners to promote CCUS, which is one of the levers we expect to play a part in achieving our low carbon aims.

---

### Additional talking points

- There is a broad consensus that CCUS needs to play a material role in achieving the Paris climate goals, as consistent with the IPCC 1.5 °C report and the IEA's World Energy Outlook.
  - CCUS has several roles to play:
  - In power, to help us get more renewables on the system. In combination with natural gas, CCUS can create a near-zero carbon source of non-intermittent power
  - In industry, to capture carbon emitted during industrial process, as in production of steel, cement, aluminium and chemicals;
  - In ‘blue’ hydrogen produced from natural gas or coal;
  - In direct air capture and bio-energy with CCS (BECCS).
- CCUS can offer significant cost and scale advantages over other low carbon options because it enables decarbonization of existing infrastructure.
  - A well-designed carbon price is a priority to make CCUS more competitive against emissions-intensive technologies.
  - Other policy measures may be required to encourage demonstration and scale-up, such as transitional incentives or other targeted policy.

---

### Further information

#### ▪ BP activity

- BP is the lead technical partner in the Net Zero Teesside, which has the potential to be the UK's first commercial full-chain CCUS project - capturing CO2 from gas-fired power generation, transporting it and storing it under the North Sea.
- BP has invested in the project as part of the OGCI.

**Commented [M17]:** Are we doing any EOR from carbon capture in the US? If yes, is this something we would want to point to more prominently? EOR is referenced in the definition at the bottom of this section.

- BP's partner projects include:
  - Industrial CO2 use in EOR in Bab, Abu Dhabi, in operation since 2016.
  - BP Ventures has invested in the following companies that use CO2 to make products:
    - Solidia, which 'cures' concrete blocks to prevent excessive loss of moisture during production using captured carbon dioxide instead of water.
    - Carbonfree Chemicals, which converts emissions from flue gases into chemicals used to make products including baking soda and bleach.
- **Supporting policy**
  - A well-designed carbon price is a priority to make CCUS more competitive against emissions-intensive technologies.
  - Targeted policy mechanisms, akin to those used for other low carbon energy technologies, can help to achieve future cost reductions - existing projects have identified the potential for future cost reductions to be between 20-30%.
    - |
    - Ambitious and collaborative approaches between government and industry can be enabled through incentives such as:
      - In the US: 45Q tax credit which rewards CO2 used to enhance oil recovery and underground storage.
      - In the UK: Contracts for Difference (CfD) which would guarantee secure returns for selling low-carbon electricity from a power station with carbon capture technology.
      - And a Regulated Asset Base (RAB) structure for transportation and storage of CO2, generating a CO2 storage fee for the infrastructure provider based on a rate of return agreed with the regulator.
- **Additional information**
  - In the IEA's 2019 World Energy Outlook Sustainable Development Scenario (SDS), which is consistent with Paris, CCUS accounts for 9% of the CO2 reductions needed globally by 2050.
  - To achieve the SDS, CCUS deployment would need to increase rapidly from around 30Mt/yr to 2800Mt/yr.
  - The IPCC 5th Assessment Report (in 2014) reported that 2°C scenarios which do not use CCUS would, on average, cost more than twice as much as those that do (138% increase).
  - There are currently around 20 large scale CCUS projects in operation around the world.
  - A study by the CCS Association suggested a five-fold return on investment in CCUS to the UK economy through the creation or retention of skilled jobs, avoided emissions costs and environmental benefits.
- **CCUS definition (2018 SR)**
  - Carbon is captured and stored typically in underground geological formations. The captured carbon can also be injected into oil fields to stimulate production or be used to create buildings and other materials.

**Commented [MR8]:** We have begun developing an advocacy strategy to support CCUS in the US. New state regulatory frameworks must be put in place to create projects. Example: we are serving on a legislative work group in Illinois on necessary legislation to implement CCUS.

See also positions on: Gas, Carbon pricing, Our purpose and ambition

## 6. Carbon life cycle assessments

What are carbon life cycle assessments and how should they be used?

---

### Key messages

- Carbon life cycle assessment (LCA) can be a useful tool for understanding and comparing the climate impacts of different products and services.
- When properly designed and understood LCAs can inform decision-making for policymakers, consumers and other stakeholders.
- We believe that LCAs are not yet accurate enough to be built into regulation, for example as the basis for specific incentives or disincentives.

---

### Additional talking points

- Carbon LCAs estimate the GHG emissions released in the production of a given product or service, including those released along the value chain.
  - For example, an LCA for a road vehicle could take into account the emissions from the entire lifespan of the product rather than just those from the tailpipe.
- It is important that any LCA uses a method that is rigorous and consistent across comparable products and services.
  - And it is vital that the limitations of LCAs are properly understood by decisionmakers before they act on their assessments.
- LCAs can give an indicative picture of relative carbon intensity. But current carbon data and assessment methods are not accurate enough to provide the sort of detailed data that is required for them to be used directly within regulation.
- LCAs could be used in conjunction with carbon pricing to inform measures designed to avoid 'carbon leakage'.
  - If used carefully carbon LCA could help policymakers to design policy to address the disadvantages of goods and services subject to a domestic carbon price against imports that are not.

See also positions on: Transport

## 7. Carbon offsets

What is BP's view on carbon offsets?

---

### Key messages

- Carbon offsets are an effective, flexible and cost-effective way for society to reduce GHG emissions at the pace and scale needed to meet the Paris goals.
- It is essential that carbon offsets achieve genuine emissions reductions.
- Offsets are an important element of our low carbon strategy.
- We aim to build a sustainable business investing in natural climate solutions at scale.

---

### Additional talking points

- Offsets offer flexibility and a 'bridge' to allow global emissions reductions to continue while solutions for sectors that are harder and more expensive to decarbonize can be developed.
  - They enable BP and third parties to meet their low carbon objectives through projects that reduce or store GHGs and generate environmental credits for use in carbon markets.
- BP is a global leader in compliance offset trading.
  - BP financed 28 million tonnes of carbon offsets in 2018; a combination of compliance for our own operations and trading in global markets.
  - We also use voluntary offsets.
  - In 2018, BP Target Neutral offset more than 850,000 tonnes of CO<sub>2</sub>e on behalf of customers.
- Offsets can take many forms, including natural climate solutions.
  - Natural climate solutions help nature do what it's been doing for millions of years: sequester and store carbon.
  - Some estimates suggest that land use could deliver more than a third of the GHG reductions needed by 2030 to be on track for 2 degrees.

**Commenter [MR9]:** The biggest regulatory challenge we face with offsets in the US are requirements that offset projects be localized. We might want to support flexibility in locating offset projects where they can be created with the scale to create the highest value at the best price and not hamper them with overly restrictive location requirements.

---

### Further information

- What is a carbon offset?
  - At its simplest, a carbon offset is a reduction in GHG emissions that compensates for GHG emissions elsewhere. This can also be provided by an increase in removal through sinks.
  - Offsets give flexibility for society to achieve reductions at lower cost in both cap and trade and carbon tax policy regimes.
  - Offsets are currently traded internationally under the Kyoto Protocol. A country can invest in an offset in another country and count it towards their domestic GHG target. BP favours a mechanism that allows this to continue under the Paris Agreement.
  - Several countries (e.g. China, US states, including California, Canada, New Zealand) allow offsetting between sectors within the domestic economy.

BP positions - 27 March 2020

- In addition to use for compliance, a voluntary carbon offset market has developed where individuals or companies choose to buy offsets for their own carbon footprint.
- BP uses offsets, where they are permitted, as a low cost means of compliance.
- **Offset requirements - BP advocates that all offsets should be:**
  - **Real:** represent GHG reductions in tonnes of CO<sub>2</sub>e that can reliably be estimated;
  - **Additional:** incremental to what would have happened without the offset action;
  - **Verifiable:** by a qualified, independent third party;
  - **Permanent:** any reversal should be accounted for and compensated;
  - **Effective:** the carbon offset should not harm the wider environment (e.g. biodiversity).
- **Target Neutral**
  - BP Target Neutral (BPTN) has been using offsets to help businesses and individual customers reduce their emissions since 2006 - helping BP's customers and businesses to offset over 5 million tonnes of carbon emissions.
  - Offsets secured through Target Neutral underpin several of our certified carbon neutral lubricants and fuels products.
  - BPTN is increasingly providing offsetting opportunities for our own products and businesses where there is clear customer-led demand for low carbon products.
  - BPTN supported Castrol Professional lubricants and Air BP operated locations to become certified as carbon neutral.

See also positions on: Our purpose and ambition, GHG emissions

## 8. Carbon pricing

Why does BP support carbon pricing?

---

### Key messages

- A well-designed carbon price is the most efficient way to reduce greenhouse gas (GHG) emissions. This is important because efficiency means lower costs and a better chance of maintaining the public and political support needed to get to net zero.
- The UK experience provides clear evidence that carbon prices work.
- BP's Aim 6 is to more actively advocate for policies that support net zero, including carbon pricing.
- A well-designed carbon price should ensure that all businesses play by the same rules and avoid simply moving emissions into jurisdictions without carbon pricing.
- We recognize that other policy measures may be required to target gaps in carbon pricing coverage or to address other market failures.

---

### Additional talking points

- 20% of global GHG emissions are either covered by a carbon price or scheduled to be covered. We want that figure to keep going up, and carbon prices to go up too.
  - A carbon price provides the right incentives for everyone - energy producers and consumers alike - to play their part in reducing emissions.
  - In the five years following the introduction of a carbon price floor in the UK in 2013, UK coal-fired power generation fell by almost 85%.
  - The EU-ETS in 2019 averaged €24.92 the highest annual average since its inception. This contributed to a 20% drop in German consumption of both hard coal and lignite in 2019.
- We advocate for carbon pricing through groups such as the US Climate Leadership Council and World Bank Carbon Pricing Leadership Coalition.
  - But we also recognize the need for other policy such as direct regulation of methane and the use of transitional incentives for emerging low carbon technologies like renewables and CCUS.
  - We are actively supporting carbon pricing at the state, regional and federal level in the US.

**Commented [MI10]:** Do we want to provide specific detail about our new work in WA state?

## Further information

- Carbon pricing can be effective either as a tax or a cap-and-trade system. By “well designed” we mean:
  - Applicable to all sectors of the economy;
  - Avoiding duplication or layering of carbon-related policy;
  - Preventing the shifting of emissions and jobs from one country or subnational jurisdiction to another;
  - Applied and collected as close as administratively possible to the point of emission;
  - Gradual ramping up of price.
- **BP's support for carbon pricing**
  - We became a founding member of the US-based Climate Leadership Council (CLC) in 2017. CLC is an international policy institute founded in collaboration with business, opinion and environmental leaders to promote a carbon dividends framework as the most cost-effective, equitable and politically-viable climate solution.
  - We work with peers, other companies, governments and civil society to help support the expansion of carbon pricing through the World Bank Carbon Pricing Leadership Coalition.
  - BP is a founding member of the International Emissions Trading Association (IETA).
  - BP is a steering committee member to the Business Partnership for Market Readiness (BPMR), an IETA initiative whose mission is to help countries prepare for and implement robust and sustainable carbon pricing policies.
  - In 2015, ahead of the Paris talks, BP - along with five other major oil and gas companies - called on governments and the United Nations Framework Convention on Climate Change (UNFCCC) to introduce carbon pricing systems and create clear, stable, ambitious policy frameworks that could eventually connect national systems.
- **BP's use of carbon pricing:**
  - We expect around two thirds of BP's direct emissions will be in countries subject to emissions and carbon policies by 2020.
  - To help anticipate greater regulatory requirements affecting our GHG emissions, we use an internal carbon price when evaluating our plans for large new projects and ones where there could be material emissions costs.
  - Our internal carbon price is currently \$40 per tonne of CO<sub>2</sub> equivalent and we also stress test at \$80 per tonne.

**Commented [MI11]:** To clarify: Is our core policy position a revenue neutral scheme? And, if yes, should that be included above in a well-designed system? (Perhaps this does not apply in cap-and-trade?)

**Commented [MR12]:** Should we add most recent carbon pricing talking points we provided to London here?

See also positions on: Trade associations and advocacy, GHG emissions. We provide more detailed carbon pricing principles [on\\_bp.com](http://on_bp.com).

**9. Climate Action 100+**

How has BP responded to 'resolution 22'?

Please see: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/climate-action-100-resolution-talking-points.pdf>

## 10. Climate change adaptation

What action is BP taking to adapt to climate change?

---

### Key messages

- The Intergovernmental Panel on Climate Change (IPCC) is clear that the impacts of climate change are already occurring and are projected to become more severe even as substantial action is taken to reduce emissions.
- Adaptation is essential for both BP and society and will require increased resilience in the energy system and other infrastructure.
- But adaptation is not an excuse for inaction; the world still needs a rapid transition to net zero.
- We expect that governments will lead adaptation efforts, but success will require the cooperation of all parties, including organizations like BP.

**Commented [MR13]:** Do we need a message on climate resilience in terms of conservation, habitat and biodiversity?

---

### Additional talking points

- Climate impacts could occur in all regions where BP operates.
  - These might include greater frequency and severity of storms, floods and sea level rise, with consequences such as damage to key infrastructure, and disruption to availability of water and food.
- BP requires all new major projects to assess the risk they face from severe weather and climate-change-related physical impacts.
  - We provide guidance on how to characterize climate-related physical risk and approaches to managing it through our Operating Management System - BP's global framework for all our operations.
  - We are also supporting science and research to help us understand the potential impacts of projections for climate change at Imperial College, UK and Princeton University, US.
- Governments need to develop and implement national adaptation strategies, including at the local and regional levels.
  - These strategies will need to include the private sector as a key player in developing resilient infrastructure and business processes, as well as bringing forward innovative technology solutions.
- BP remains committed to the goals of the Paris Agreement including achieving net zero emissions in the second half of the century.

See also positions on: Our purpose and ambition, Paris Agreement

## 11 Energy efficiency

What is BP doing to encourage energy efficiency?

---

### Key messages

- Energy efficiency has a major role to play in the low-carbon transition and can improve energy affordability, security and sustainability.
- We see energy efficiency as an opportunity that makes both business and environmental sense for BP. That is why we are improving efficiency in our operations and of our products.
- Carbon pricing is a priority to incentivize energy efficiency, but other policy measures may be required to help deliver its potential.

---

### Additional talking points

- The IEA estimates that energy efficiency could contribute about half the emissions reductions required by 2030 to stay on track for 2 °C. Only 12% of primary energy ends up as useful heat, light or motion.
- We are **improving energy efficiency across our operations**.
  - This includes upgrades to the engine efficiency of our shipping fleet to finding productive uses for waste heat and exhaust gases at our LNG terminals and refineries.
- BP's downstream business is innovating to produce advanced fuels and lubricants that increase the energy efficiency of the internal combustion engine, translating to lower energy use and lower emissions.
  - BP Ultimate unleaded gasoline and diesel fuels with Active Technology could give up to 21 more miles per tank.
- **Modernization and efficiency are a constant focus in our upstream business.**
- A carbon price provides the right incentives for everyone - energy producers and consumers alike - to improve their energy efficiency.
  - Other regulatory tools may be required such as targeted energy efficiency standards for vehicles, consumer appliances and buildings. Financial incentives may also have a role to play in sectors such as industry.

**Commented [MI14]:** Any concrete examples from BPX?

**Commented [MI15]:** Examples from US?

See also positions on: Carbon pricing, Innovation

## 12 Fossil fuel divestment

### What is BP's response to fossil fuel divestment campaigns?

---

#### Key messages

- We encourage shareholders to engage with us on BP's role in the energy transition.
- Divestment's potential impact is limited and risks being counterproductive in achieving a faster transition to a low carbon energy system.
- Some arguments for divestment are based on a perceived risk of 'stranded assets'. These arguments underestimate the flexibility and resilience of the industry.
- Climate change is a systemic issue. Everyone - from consumers to corporations and shareholders to governments - needs to work together to progress action.

---

#### Additional talking points

- Engagement with shareholders helps BP understand their perspectives and gives them a strong voice in discussions on how to drive change.
  - This was demonstrated in 2019 when engagement with Climate Action 100+ resulted in BP supporting a landmark resolution requiring us to explain how our strategy is consistent with the Paris Agreement.
  - BP has the scale, balance sheet, relationships, technology and people to play an important role. We ask investors who want us to do that, to stick with us and support our efforts to do that.
- With only 10% of global oil and gas reserves being controlled by public listed oil companies there is a limit to divestment's effectiveness.
  - And it risks shifting production towards those who are less engaged on climate issues. This could make it harder for companies to play a role in the energy transition.

See also positions on: Our purpose and ambition

### 13. Fossil fuel subsidies

What is BP's position on fossil fuel subsidies?

---

#### Key messages

- The term fossil fuel 'subsidy' is used to cover a variety of policies and issues; it is important to be clear what is being discussed.
- In general, BP supports the gradual phasing out of direct subsidies to energy consumers, but any reform needs to consider the impact on low income groups.
- BP supports well-designed carbon pricing as the best way to address arguments that the failure to tax GHG emissions of oil and gas and other sources is an implicit subsidy.
- But any debate needs to recognize that incentives to develop a country's oil and gas resources are a legitimate form of industrial policy.

---

#### Additional talking points

- Governments are responsible for managing subsidies and any decision to reform or remove them is for governments alone to make.
  - It is for national governments to decide how to promote the development of their natural resources provided they conform to domestic and international competition and trade rules.
  - Fossil fuels generate considerable tax and royalty revenues for governments around the world. Any discussion of 'subsidies' should be seen in that context.
- Direct fossil fuel subsidies distort market-driven price signals. This can lead to inefficient energy use, poor investment decisions, and higher emissions that are bad for business and bad for the environment.
  - But reforms of direct fossil fuel subsidies, as with other policies which may increase energy prices, have to be designed in such a way that recognizes the potentially significant social impacts of rising energy prices.
  - Addressing such impacts, particularly on poorer or more vulnerable communities or energy users (such as low-income families or elderly people) is part of what the Paris Agreement calls the "just transition".
- BP has been making the case for carbon pricing for over 20 years.
  - A carbon price allows all forms of energy to compete on a level playing field. This provides right incentives for everyone - energy producers and consumers alike - to play their part in reducing emissions.

See also positions on: Carbon Pricing, Tax

## 14. Gas

### What role can gas play through the energy transition

---

#### Key messages

- Gas has unique characteristics that can make it an important part of the energy transition. It is abundant, affordable, easily transported, flexible and an energy-rich and efficient store of energy.
- It can be decarbonized - for example - by using CCUS at gas-fired power stations or in the production of “blue” hydrogen.
- Aim 4 is to install methane measurement at all our existing major oil and gas processing sites by 2023, publish the data, and then drive a 50% reduction in methane intensity of our operations.
- Tackling methane emissions is vital if natural gas is to play its fullest role in the energy transition.
- Integrated with renewables, gas can offer reliable low carbon power generation, enabling more renewables to be safely brought onto the distribution system.
- Gas can support the transition through the displacement of coal in the power mix. But in the longer term, the real emissions benchmark for gas is not coal, but net zero, so developing decarbonized gases will be critical.

---

#### Additional talking points

- We are implementing methane measurement at all our major oil and gas processing sites by 2023 - a global first.
  - And we are intending to publish the data from our methane measurement initiative.
  - We will continue to work with partners such as EDF and CCAC (Climate and Clean Air Coalition) to improve the monitoring, measurement and reporting of our data.
- Our new Gas & Low Carbon Energy business group brings together energies that complement one another.
  - This combination can address intermittency by presenting a single face to power markets.
  - The combination of renewables and gas can also help find solutions for hard-to-abate sectors and provide a basis for the development of hydrogen - whether blue (from gas) or green (from renewables).
- Decarbonized gases can deliver the same benefits of gas for the energy system with very significantly lower emissions, including hydrogen, biomethane and synthetic gas or gas with CCUS.
  - Re-purposing existing infrastructure to distribute decarbonized gas or hydrogen reduces the cost of decarbonizing a range of sectors - including transport, heating and industrial processes - compared to higher levels of electrification.
  - Governments should develop and maintain the necessary infrastructure required to keep the option of decarbonized gas and hydrogen open.

- Government and industry should work together to future-proof new natural gas projects for the use of decarbonized gases; and, to unlock the potential of hydrogen, new gas distribution systems should be constructed, and existing systems repurposed, to provide full optionality for the distribution of hydrogen.

## Further information

- Future demand for gas - key points from the 2019 Energy Outlook
  - In our Evolving Transition (ET) scenario, that extrapolates from recent trends, natural gas grows at an average rate of 1.7% p.a. - increasing nearly 50% by 2040. It's the only source of energy, along with renewables, whose share in primary energy increases over the Outlook.
  - Growth in gas demand is widespread, driven by use in industry and power and increasing in almost every country and region considered.
  - Global gas production is led by the US and Middle East (Qatar and Iran) - who together account for almost 50% of the growth in gas production.
  - In our Rapid Transition (RT) scenario, which is broadly consistent with Paris scenarios out to 2040, natural gas continues to grow aided by growing use of CCUS.
- Policy support for gas
  - Effective carbon pricing is a priority to decarbonize the world's energy system. By providing a level playing field for different technologies, it allows decarbonized gas to compete.
  - Other incentives to allow decarbonized gas to play a role at the necessary scale may be required such as a low carbon gas standard.
  - Requirements for new gas distribution infrastructure to be made hydrogen-ready.
- Hydrogen
  - In 2019, BP joined as a member of the Hydrogen Council.
  - BP is working with partners on two hydrogen-related projects connected with our Rotterdam refinery.
  - We partnered with Nouryon and the Port of Rotterdam to explore the feasibility of building a 250MW water electrolysis facility to produce 'green hydrogen' - made using renewable energy.
  - We are collaborating in a detailed study exploring the large-scale production and application of 'blue hydrogen' - made from natural gas with CCUS - in the Rotterdam industrial area.
- Gas in transport
  - Gas offers an additional route to decarbonize transport - biogas is estimated to result in at least two thirds lower greenhouse gas emissions than from equivalent gasoline or diesel-fuelled vehicles, depending on the biomass material used for generation.
  - Biogas can have the potential to be a negative emission energy source if it is derived from captured methane that otherwise would have been released into the atmosphere.

In transport, gas is well suited to applications such as heavy goods vehicles or marine use where electrification is difficult, or in markets with existing gas refuelling infrastructure.

**Commented [MI16]:** Is it worth flagging that the market is putting a premium on verified "low-methane" intensity natural gas? Can point to a few examples in the US and Japan showing a premium paid for decarbonized gas.

See also positions on: Our purpose and ambition, Hydrogen, Methane

## 15. Gender pay gap

What is BP doing about the gender pay gap?

---

### Key messages

- At BP we make sure employees in similar roles are paid equitably.
- Our gender pay gap exists mainly because we employ different numbers of men and women at different levels in our workforce; and in specific roles that attract higher pay, bonuses or allowances.
- Our gender pay gap varies across the five UK businesses that report, ranging from -0.8% in BP Chemicals to 26.3% in BP Exploration for mean pay gap.
- Representation of women has increased in leadership roles overall since 2018, leading to small reductions in average pay gaps.
- We are working to reduce differences over time and recognize that this is a long-term representation challenge we need to address.
- Ultimately, we want there to be no structural basis for a gender pay gap anywhere in BP around the world. We want there to be no structural basis for a gender pay gap anywhere in BP around the world, based on consistent representation of women at all levels throughout the organization.

---

### Additional talking points

- Overall, the proportion of women employed across BP is higher than ever before and accounted for 38% of our workforce in 2019 (35% 2018).
  - We have seen improvements in areas of the business where women have previously been under-represented and we have women leading some of our core businesses, such as petrochemicals, shipping and treasury, and countries including Canada, China, Mexico and the US.
  - At graduate entry level our intake is almost balanced, with 45% women and 55% men.
- In 2012 we set two 2020 gender goals: for women to hold 25% of our group leader roles and 30% of our senior level leader roles.
  - At the end of 2019, 25% of our group leaders were women, compared to 17% in 2012, an increase of 46%. We were still short of our 30% goal for senior level leaders, at 26%, and we remain focused on this.
  - We're developing new gender goals to take us to 2025 and we recognize sponsorship and mentoring of women as ways to support our leadership talent pipeline. We're also doing more to include men in our efforts to achieve a better gender balance.

- We are taking a range of actions across BP to address our gender representation and ultimately our pay gap - as follows:

**Attraction and recruitment:**

- We have a clear diversity and inclusion policy that guides our approach to hiring. We call this our 'rules of the road' and it ensures we have diverse pools of applicants and assessment panels whenever possible.
- In 2019 we were named as one of the UK's top 50 employers for women in The Times newspaper, for the first time.

**Developing the talent pool:**

- Under-representation of women in science, technology, engineering and maths (STEM) subjects during education is a continuing limit on gender representation in BP.
- We are actively involved in initiatives including POWERful Women and Million Women Mentors, which both focus on bringing more women into STEM disciplines and professions.

**Retention:**

- Many different issues can affect why our people choose to stay with BP, including return to work support. We're proud that 88% of our employees return to us from maternity leave.
- We are doing more to embrace flexible working, allowing everyone to find a better work-life balance and work more productively.
- Our employee-initiated business resource groups, including the BP Women's International Network (BPWIN) and the Working Parents and Carers group, share employees' insights and opinions to help us shape policies that encourage positive career choices.

**Progression:**

- We routinely focus on identifying high potential people, ensuring they have robust career and development plans.
- We expect our senior leaders to sponsor and mentor talented women.

---

## Further information

### UK gender pay gap legislation

- On 6 April 2017, the UK government introduced gender pay gap reporting legislation which requires employers with at least 250 employees in the UK to calculate and publish their gender pay and bonus gaps annually.

### Statutory reporting - BP gender pay data for 2019

- BP reports on five separate UK legal entities which have at least 250 employees in the UK. These are: BP plc; BP Chemicals; BP Exploration; BP Oil; BP Express Shopping (Retail).
- Together these employ around 14,600 people.

BP positions - 27 March 2020

BP gender pay and bonus gaps

Legal entity	Reportable Pay Gap (%)				Reportable Bonus Gap (%)				% receiving bonus		Female (%)	
	Mean		Median		Mean		Median		Men	Women		
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
BP Chemicals	2.0	-0.8	-6.8	12.4	-9.1	-113.2	13.4	14.8	99.2	96.4	98.6	98.7
BP Oil	13.7	14.7	11.6	9.5	27.4	26.0	27.5	26.8	97.6	98.9	95.0	95.7
BP p.l.c.	24.0	21.6	19.8	18.9	64.9	65.8	38.8	41.0	96.9	95.8	96.1	95.1
BP Exploration	29.4	26.3	29.1	24.9	22.6	32.8	28.3	28.7	99.5	99.0	98.4	98.9
BP Express Shopping	3.1	3.6	1.8	4.0	0.2	10.9	0.8	4.3	15.5	16.0	12.2	12.7
									22	23	46	49

Footnote:

A share option plan awarded to group leaders in 2011 that can be exercised up until 2021, was incorrectly omitted from calculations in both 2017 and 2018. The table above includes the correct restated numbers for 2018.

The impact in 2018 was minimal but resulted in a slight overstatement of our mean bonus gaps across two entities (BP Exploration & BP p.l.c.). There was no impact on 2018 median bonus gap numbers. The impact in 2017 was more significant and resulted in an understatement of our bonus gaps across three entities (BP Oil, BP Exploration & BP p.l.c.).

The inclusion of this plan as had a particular impact on BP Chemicals bonus gap numbers due to the relatively small group leader population in that entity.

Gender balance - BP employees (% female), globally<sup>1</sup>

	2014	2015	2016	2017	2018	2019
All staff	31%	32%	33%	34%	35%	38%
Graduate hires	37%	44%	45%	45%	48%	45%
Group leaders <sup>2</sup>	18%	19%	22%	21%	24%	25%
Senior leaders <sup>3</sup>	20%	21%	23%	24%	25%	26%
Board directors	14%	20%	21%	23%	36%	42%

<sup>1</sup>% women as at 31 December 2019

<sup>2</sup>Group leaders are our most senior leaders and there were 380 across BP as at 31 December 2019. Their roles range from operational, functional and regional leadership - including large asset management and specialized technical and business functions - up to executive directors.

<sup>3</sup>Senior level leaders are the leadership tier below group leaders. They typically manage larger teams or are recognized as technical or functional experts.

See also positions on: Our purpose and ambition

## 16. GHG emissions

What action is BP taking on GHG emissions?

---

### Key messages

- In the near-term our approach to lower carbon and reducing emissions is through the RIC framework: 'Reduce, Improve, Create'.
- In 2020 we increased the component of the total bonus calculation linked to our 'Sustainable Emissions Reductions' (SERs) to 10% for 37,000 employees.
- The BP Leadership team will have 20% of their annual bonus tied to Sustainable Emissions Reductions (SERs).
- Our ambition is to become a net zero company by 2050 or sooner, and to help the world get to net zero.

---

### Additional talking points

- We have set out five aims to get BP to net zero:
  - Aim 1: net zero operations - net zero across our entire operations on an absolute basis by 2050 or sooner.
  - Aim 2: net zero oil and gas - net zero on an absolute basis across the carbon in our upstream oil and gas production by 2050 or sooner.
  - Aim 3: Halving intensity - cut the carbon intensity of the products we sell by 50% by 2050 or sooner.
  - Aim 4: Reducing methane - install methane measurement at all our existing major oil and gas processing sites by 2023, publish the data, and then drive a 50% reduction in the methane intensity of our operations.
  - Aim 5: More investment for new energies - increases the proportion of investment we make into our non-oil and gas businesses.
- In the near-term our approach to lower carbon and reducing emissions is through the RIC framework - as follows. We set these targets in 2018.
- Reducing operational emissions:
  - By 2025 we are targeting net zero growth in our operational emissions. In 2019 we achieved this.
  - We set a target of 3.5Mte of sustainable greenhouse gas (GHG) emissions reductions by 2025. 1.4Mte of sustainable emissions reductions were delivered in 2019. By end 2019, we achieved 3.9Mte of sustainable emissions reductions activity since the beginning of 2016.
  - And we have set ourselves a methane intensity target of 0.2%, the first amongst our peers to set such a target. We achieved a methane intensity of 0.14 in 2019.
  - In 2019 we announced \$100m of funding for new emissions reductions projects in our upstream operations.

□ **Improving our products:**

- Provide lower emissions gas: We started up the second stage of our West Nile Delta development in Egypt, that will play an important role in the country's gas supply, and we started to use solar pumps instead of pneumatic gas pumps in our US onshore business.
- Develop more efficient and lower carbon fuels, lubricants and petrochemicals: Continued to scale up co-processing of bio-feedstock at our refineries, developed new Castrol engine oils with improved fuel economy and emissions and we continued to offer PTAir Neutral, the world's first certified carbon neutral PTA.
- Grow lower carbon offers for customers: Established more than 30 carbon neutral BP retail sites; offset more than 1 million tonnes of carbon for the first time in 2019 through BP Target Neutral; and increased the supply of BP Biojet, our sustainable aviation fuel, to 11 locations worldwide, in countries including Sweden, France and the US.

□ **Creating low carbon businesses:**

- Expand low carbon and renewable businesses: Expanded our biofuels business in Brazil by more than 50% through a joint venture with Bunge to create BP Bunge Bioenergia; began rolling out BP Chargemaster ultra-fast charging points across BP forecourts in the UK and piloted ultra-fast charging at Aral forecourts in Germany; and started BP Launchpad, our scale-up factory, designed to help quickly grow disruptive technologies and business models which could become future BP business units.]
- Over \$500 million invested in low carbon activities in 2019: Increased our stake in Lightsource BP to create a 50:50 joint venture; Invested a further \$30 million in Fulcrum Bioenergy, a pioneer in making low carbon, low-cost transportation fuels from household waste; and Expanded our digital energy portfolio by investing in energy management with Grid Edge, in the UK and R&B in China.
- Collaborate and invest in the OGCI's \$1bn+ fund for research and technology activities each year: Taken a leading role in the OGCI's Net Zero Teesside project in the UK.

**Commented [MR17]:** Should we add Butamax? Should Wind be here in this section?

□ **We believe that our inclusion of SER into bonus compensation for 37,000 employees demonstrates our seriousness about becoming a purpose driven organisation.**

- See Remuneration and Reward briefs for further information.

---

## Further information

□ **Are you setting new targets?**

- We are reviewing these as part of our new strategic proprieties, which we plan to give more details on at our capital markets day.

See also positions on: Our purpose and ambition, Remuneration, Reward, Scope 3 and customer emissions

## 17. Human rights

How does BP respect human rights in practice?

---

### Key messages

- This is a holding statement as human rights position and policy is currently being updated.
- We support the UN Guiding Principles on Business and Human Rights which state that it is the duty of the States to protect human rights and it is the responsibility of companies to respect human rights.
- BP is committed to identifying, preventing and addressing human rights risks associated with our business activities.
- We expect our employees and contractors, to act in accordance with our code of conduct, human-rights policy and expectations of suppliers.
- Our human rights focus areas are labour rights, security and human rights, and the rights of people in communities.

---

### Additional talking points

- We respect internationally recognized human rights as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles at Work, including the Core Conventions.
  - These Conventions are particularly pertinent as many accepted workforce norms and standards are based on them. They underpin our own BP human rights policy.
- Our human rights policy sets how we will meet our responsibility to respect human rights.
  - We also expect our contractors to act consistently with our code of conduct and seek to make contractual commitments to encourage them to adhere to the principles set out in our human rights policy.
- We support the UN Guiding Principles on Business and Human Rights (UNGPs) and are incorporating them into our processes.
- We support the elimination of all forms of modern slavery.
- We support the Voluntary Principles of Security and Human Rights.
- Our code of conduct states employees' responsibility to respect human rights and to report human rights abuse in our own or our business partners' operations.
  - It applies to all employees and the board.
- We are working with several of our peers to create an oil and gas industry framework for assessing the practices of industry suppliers, with a focus on labour rights and preventing modern slavery.
- We encourage employees, contractors, communities and other third parties to speak up if they see behaviour or activities that could constitute human rights abuse.
  - Guidance on respecting the rights of workers and community members is embedded in our Operating Management System - BP's global framework for all our operations.

BP positions - 27 March 2020

- We make sure people around our sites are aware of our confidential global helpline OpenTalk as well as specific local community and workforce grievance mechanisms.
- We introduced guidance on community complaints mechanisms across the company in 2018 to bring a systematic approach to how we listen to communities and act on their concerns.

See also positions on: BP and society, Responsible supply chain management

## 18. Hydrogen

What is hydrogen's role in the low carbon transition?

### Key messages

- BP believes that hydrogen has a critical role to play in achieving the goals of the Paris Agreement.
- Hydrogen's versatility is an important asset and can improve the resilience and flexibility of the whole energy system.
- 'Blue' hydrogen produced from steam methane reforming of natural gas in combination with CCUS needs to be scaled up, but longer-term 'green' hydrogen powered by renewables will play an important role in some regions.
- BP is looking to actively invest in hydrogen and has joined the Hydrogen Council.

### Additional talking points

- In a net-zero world hydrogen could account for over 20% of total final energy demand.
  - But it will require the right policy framework, including a robust carbon price.
  - Most hydrogen demand is likely to be in areas of industrial heat and transport where electrification is not technically or economically feasible. But it can also play a role in power, heat in buildings and energy storage.
  - Hydrogen's versatility means that it can be used where it makes the most economic and environmental sense at any given time, allowing the energy system to respond and adapt as conditions change. Hydrogen is also easier to store than electricity.
- In most countries and regions blue hydrogen is the most immediate and cost-effective way to produce hydrogen at scale and begin to build the hydrogen economy.
  - We anticipate that by mid-century much of our gas will be converted to blue hydrogen with the rest being burned with CCUS.
  - In the longer-term green hydrogen will grow substantially as the economics of electrolyzers and renewable power improve, providing an important form of energy storage for excess renewable electricity supply.
  - For hydrogen to be green, the domestic power market will need to be either fully decarbonised or coming from curtailed or stranded renewable energy sources.
  - We are looking at both blue and green hydrogen projects for the 2020s to position BP for rapid scale-up of the industry.
- In 2019 we joined the Hydrogen Council.
  - The Hydrogen Council aims to accelerate investment into large-scale commercialization of hydrogen solutions across industries worldwide.
  - We're also a member of Hydrogen Europe, which seeks to promote and develop large-scale, low carbon hydrogen-based opportunities.

**Commented [MR18]:** Would it help to call out under transport that hydrogen may be the answer for large trucking fleets where electrification is challenging?

**Commented [MI19]:** Is it worth mentioning that hydrogen can leverage existing infrastructure, potentially helping to manage the huge CAPEX required for other infrastructure build out in the energy transition?

See also positions on: Gas, CCUS

## 19. Methane

What action is BP taking on methane emissions?

---

### Key messages

- For natural gas to play its fullest part in delivering the goals of the Paris Agreement, methane emissions from its production and transportation will have to be significantly reduced.
- BP's Aim 4 is to install methane measurement at all our existing major oil and gas processing sites by 2023, publish the data, and then drive a 50% reduction in methane intensity of our operations.
- BP is partnering with others to maximize industry efforts to reduce methane emissions.
- The better we get at tackling methane emissions; the more effective natural gas and its decarbonized uses can be through the energy transition.

---

### Additional talking points

- We decided to focus one of our ten aims - Aim 4 - on methane to demonstrate our seriousness about tackling it.
  - We aim to set industry-leading standards, building on our previously set methane intensity target of 0.2% and industry-first initiative to deploy continuous measurement of methane emissions in future BP-operated oil and gas processing major projects.
  - Depending on the specific project, we can deploy a range of technologies including drones, truck-mounted laser sensors and infrared cameras to pinpoint and tackle methane emissions.
  - An important element of Aim 4 is to influence our joint ventures to set their own methane intensity targets of 0.2%.
  - This contributes to BP's Aim 1, to be net zero across our entire operations on an absolute basis by 2050 or sooner.
- Natural gas and decarbonized gases derived from it have a vital role to play in the energy transition and in a net-zero economy.
  - Tackling unintended releases of methane - the primary component of natural gas - will allow gas to play this role more effectively.
- Methane is a potent greenhouse gas and the second largest contributor to climate change after carbon dioxide (CO<sub>2</sub>).
  - It has a shorter lifetime in the atmosphere than CO<sub>2</sub>, but a significantly higher capacity to trap heat and contribute to global warming.
  - The oil and gas sector is the second largest source of man-made methane emissions after agriculture.

**Commented [MI20]:** Is it just unintended? Unintended (aka fugitives) are just part of the methane challenge and my understanding is that venting, for example, is responsible for a more significant portion of our methane emissions.

## Further information

### BP context

- In 2018, BP reported methane intensity at 0.2%, within our target.
- 'Intensity' refers to emissions from BP's upstream oil and gas operations as a percentage of the gas that goes to market from those operations.
- This equates to absolute methane emissions of 0.09 million tonnes in that time.

### We are working with partners beyond industry:

- This includes the Climate and Clean Air Coalition (CCAC) to improve the monitoring, measurement and reporting of our data, as well as our twenty-year collaboration with Princeton University's Carbon Mitigation Initiative.
- BP is also a founding member of the Oil and Gas Climate Initiative, an industry group aiming for near-zero methane emissions across the gas value chain.
- We participate in the Oil and Gas Methane Partnership, which aims to improve technical guidance and reduce emissions.
- In 2019, BP confirmed a three-year partnership with the Environmental Defense Fund (EDF), a non-profit environmental advocacy group, aimed at developing further technologies to detect and prevent methane leaks.
- BP supports the Methane Guiding Principles, which were developed by a coalition of industry, institutions, academics and NGOs, to reduce methane emissions across the gas value chain. Those are to:
  - Continually reduce methane emissions;
  - Advance strong performance across gas value chain;
  - Improve accuracy of methane emissions data;
  - Advocate sound policies and regulations on methane; and
  - Increase transparency.

### Methane policy in the US

- The best way to help further reduce and ultimately eliminate methane emissions industrywide is through direct federal regulation of new and existing sources.
- A single set of regulations created by the Environmental Protection Agency would be preferable to a patchwork of regulations created by multiple federal or state agencies.
- Regulations also must be well-designed and cost-effective, so they don't place an unreasonable burden on companies and consumers. They should also be flexible enough to account for newer, better leak-detection technologies to be deployed as they become available.

**Commented [MI21]:** Since this is intended as a positions document, does it make sense to include (or potentially put a placeholder) for Methane policy in the EU? It may be premature.

### Additional information

- The measured concentration of methane in the atmosphere continues to rise faster than CO<sub>2</sub>, increasing the relative contribution of methane on future warming.
- Methane is understood to have a higher global warming potential than carbon dioxide, estimated to be at least 25 times that of carbon dioxide over 100 years.
- Mitigation of methane emissions to meet the climate challenge has become an area of focus due to its high potency and short atmospheric lifetime of 10-12 years.

BP positions - 27 March 2020

- Quantifying methane emissions is a significant challenge, and there is uncertainty in the estimation of global emissions:
- The IEA's World Energy Outlook 2017 estimated methane emissions from the oil and gas sector at 76 Mte, around 4% of global man-made GHG emissions.
- The OGCI is working with the UN Environment and EDF to undertake a series of independent scientist-led global methane measurement studies.

See also positions on: **Gas, Our purpose and ambition**

## 20. Non-operated joint ventures

How does BP manage its relationships with non-operated joint ventures (NOJVs)?

---

### Key messages

- BP monitors performance and risk management in all its joint ventures (JVs), regardless of whether it is the operator.
- BP carefully selects its business partners and seeks to work with others who share our commitments to safety, ethics and compliance.
- BP has a clear framework for managing its exposure to risk from NOJVs.

### Additional talking points

- JVs are widespread throughout the energy value chain. BP participates in JVs across its businesses for a range of reasons including access to resources and business opportunities; or sharing of cost, benefits and risk.
- In many cases BP will not be the operator of the JV - in these cases, we use the term non-operated joint venture (NOJV).
- BP uses our model of 'three lines of defence' for managing risk as part of our system of internal control, including managing exposure to risk from participation in non-operated joint ventures:
  - Individual businesses are accountable for management of exposures.
  - Group Functions support the first line in their accountability to effectively manage these exposures.
  - Group Audit provides independent assurance.
  - While BP's Operating Management System, Code of Conduct and policies will not typically apply directly in NOJVs, they are available as a reference point for BP businesses when engaging with JV operators and other participants.

**Commented [MI22]:** Worth noting the good work BP has done through MGP to engage JV partners on methane?

**Commented [MI23]:** Is it worth noting here that nearly 50% (in 2018 it was 46%) of BP's portfolio is NOJVs. May contextualize why this is so significant.

## 21. Oil

As the world transitions to a lower-carbon energy system, why is BP still investing in oil?

---

### Key messages

- The world is likely to consume significant quantities of oil for decades to come, but we intend to increasingly focus our investment on value over volume to meet that demand.
- We expect our production to decline over time as we pursue our ambition to become a net zero company by 2050 or sooner.
- Our oil business will help us remain financially strong so that we are able to perform while we transform BP.
- Our partners and governments around the world should be clear that we are not getting out of the oil and gas business.

---

### Additional talking points

- BP's strategy focuses on finding and producing barrels we're confident will be competitive as oil demand begins to decline - what we call 'advantaged oil'.
  - We aim to invest in oil and gas, producing both with increasing efficiency. This means lower cost, higher margin and close to markets, with a focus on carbon.
- Our Aim 2 is to be net zero on an absolute basis across the carbon content of our upstream oil and gas production by 2050 or sooner.
  - Over time we expect the proportion of capital that we invest in oil and gas to reduce, and the proportion that we invest in non-oil and gas to increase.
  - By 2050 the carbon content of any residual hydrocarbon production will be neutralized. We see hydrogen, CCUS and land carbon as potentially important levers for achieving this.
- We can only achieve our ambition if we are financially strong, able to pay the dividend our owners depend on - and generate the cash needed to invest in new low and no carbon businesses.
  - We expect our oil business to play an important role in maintaining that financial strength.
  - The world will need oil and gas for decades to come, and those activities will remain central to our strategy for a long while.

### If pressed:

- Why are you continuing to explore for oil and gas?
  - We are reviewing our exploration strategy and we will provide further details in September. But the direction of travel is clear.
  - Between the peak level in 2013 and 2019, our combined access and exploration drilling costs fell by 2/3rds.
  - We will continue to look at exploration through the lens of value over volume.

- Ultimately this is about finding advantaged oil and gas that can push costlier, riskier and higher carbon supply out of the global marketplace.

## Further information

### Abundance of oil

- Over the past 35 years or so, for every barrel of oil consumed, two have been added to estimates of proved reserves.
- We estimate that based on known oil resources and today's technology, enough oil could be produced to meet the world's entire demand for oil out to 2050 more than twice over.
- This abundance is likely to lead to greater competition amongst major oil producing countries as they compete to ensure their oil is extracted and consumed.
- The extent to which many of these producers can compete for greater market share - by increasing their production and accepting a lower price - is constrained by the central importance of oil revenues in supporting and financing their economies.
- As such, the pace and extent to which competition in global oil markets drives down the oil price is likely to depend on the speed and success major oil producing countries have in diversifying their economies to make them less dependent on oil.

### Oil in the energy mix

#### □ Consumption

- Grown robustly in recent years - global consumption is now approaching 100 Mb/d.
- Half of global consumption is in emerging economies, China accounted for half of global growth over the past decade.
- According to BP's Statistical Review 55% of current consumption in transport; 30% use is in industry; and 15% in non-combusted uses.

#### □ Fossil fuel demand and use

- In BP's EO Rapid Transition scenario - that is broadly consistent with the Paris Goals - **fossil fuels still make up over half of primary energy demand in 2040**, with a significant role for CCUS.
- In the same scenario oil demand is at **80Mb/d in 2040**.
- The IEA's Sustainable Development Scenario oil demand is at **67mb/d in 2040 (IEA)**.

#### □ Production

- Global oil production is also now approaching 100 Mb/d.
- OPEC accounts for just over 40% of global production.
- Tight oil revolution has made the US the world's largest oil producer.

#### □ Reserves

- Proved reserves at end-2018 were about 1.7 trillion barrels, sufficient to cover current production for roughly 50 years.
- Just over 70% of current proved reserves are in OPEC countries, led by Venezuela and Saudi Arabia.

See also positions on: Gas, Our purpose and ambition

## 22. Paris Agreement

Why does BP support the Paris Agreement's climate goals?

---

### Key messages

- The world's carbon budget is finite and running out fast. The world needs a rapid transition to a net zero energy system to meet the Paris goals for tackling climate change.
- So BP will have to change. But we also want to change, because it is the right thing for the world, and a tremendous business opportunity.
- That's why our ambition is to become a net zero company by 2050 or sooner, and to help the world get to net zero too.
- We support the goals of the Paris Agreement and we believe that our ambition and aims, collectively, are consistent with these goals.

---

### Additional talking points

- We believe that our that our ambition and aims, collectively, are consistent with the Paris Goals; we aim to become a net zero company by 2050 or sooner, and to help the world get there too.
  - Our ambition is underpinned by five aims to get BP to net zero, including getting to net zero across our operational emissions and the carbon content of our upstream oil and gas production. We are also aiming to increase the proportion of our investment into our non-oil and gas businesses.
  - And five aims to help the world get to net zero, including to more actively advocate for policies that support net zero, including carbon pricing (Aim 6).
- Our Board considers BP's strategy to be consistent with the Paris goals.
  - [See factsheet on the Climate Action 100+ shareholder resolution for more information.](#)
- To meet the Paris goals, we believe the world must take strong action on a range of fronts:
  - Reducing emissions rather than promoting one energy source as the answer.
  - Putting a price on carbon to help drive action in an efficient and cost-effective way.
  - Improving energy efficiency.
  - Deploying new technologies, such as carbon capture, use and storage.
  - Promoting natural climate solutions (land-based carbon reductions) and the role of offsets.
- We recognize that society's expectations of energy companies like BP are changing, including investors and our staff.
  - And customers around the world want energy that is reliable, affordable and cleaner. Over the next few decades, trillions of dollars are going to be invested in replumbing and rewiring the global energy system.

This is an enormous opportunity for BP to grow and thrive.

## Further information

- **Net zero**
  - According to the IPCC (<https://www.ipcc.ch/sr15/chapter/glossary/>): Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.
  - BP believes the world needs to get to net zero. It's what the Paris agreement calls for in the second half of the century.
  - More than 60 countries including the UK and France have declared an aim to reach net zero by mid-century.
  - That's ambitious because net zero is a long way off - emissions are still rising globally, when they need to be dramatically falling.
  - But it's achievable with smart policy and collaboration, coupled with changes in behaviour across society.
- **Alongside huge advances in energy efficiency, net zero will require:**
  - Zero carbon power (renewables & decarbonized natural gas) - or close to it.
  - Zero carbon cars and light vehicles - or close to it.
  - Trucks, airplanes and other heavy vehicles that are low carbon.
  - Hydrogen as a significant part of the fuel mix.
  - Much more recycling and circular value chains.
  - Land carbon and biodiversity projects that suck carbon out of the air.
  - CCUS deployed at scale to decarbonize power and industry.
- **Temperature goal - 2 and 1.5 degrees**
  - Paris commits governments to: "holding the increase in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels".
  - Current pledges by governments aren't enough to get below 2°C, let alone reach 1.5. They add up today to between 2.7 and 3.5°C.
  - We recognize the IPCC have concluded to improve the chances of limiting temperature rises to 1.5°C will require global net zero by 2050 and involve far-reaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems.
  - Every tenth of a degree matters, and society needs to be on a more sustainable path. So, we applaud countries which have committed to achieving net zero by 2050.
- **Additional information**
  - In addition to achieving the Paris goals we would like to see a world that takes account of other social and environmental considerations, including clean air and water.

See also positions on: Our purpose and ambition, GHG emissions, Carbon offsets, Scope 3 and customer emissions, C100+.

## 24. Plastics

What is BP doing about plastics and plastic waste?

**Commented [MI24]:** Have our US businesses engaged constructively on plastics? Have we supported any initiatives to reduce plastic waste and/or joined energy coalitions/groups thinking about this?

### Key messages

- Plastics offer significant societal benefits in areas such as food safety, storage and preservation, medicines and construction.
- It is plastic waste that is the issue.
- BP is concerned about the impact of plastic waste on the planet and agrees that society needs to take action to tackle the challenge.
- We want to play our part to reduce plastic waste and we are starting with the areas where we can make the biggest difference.

### Additional talking points

- It is the plastic waste, and how this waste is managed, which presents a challenge.
  - Too much plastic waste ends up being incinerated and generating CO2 or being dumped into landfill.
  - This is not sustainable, and we need solutions that eliminate both of these end-of-life points and make plastic a truly circular product.
- Plastics have many benefits which has made them so useful - they are durable, versatile and low cost.
  - Compared with other packaging materials, and when taking a full life cycle view, plastic often provides the most useful and sustainable option.
  - For example, plastic food containers are typically less energy intensive to produce and transport than metal or glass, so can offer a carbon benefit.
- BP is in action looking at ways we can tackle plastic waste by reducing, reusing and recycling.
  - We have joined forces with other companies to tackle plastic waste with BP Infinia<sup>2</sup> recycling technology, with the aim of making PET packaging infinitely recyclable.
  - We are reducing the amount of plastics we use in our lubricants packaging.
  - At some retail sites in Europe, we will be piloting solutions to reduce single use packaging or switch to packaging that is reusable, recyclable or biodegradable.
  - Bio-based feedstocks to plastics is also a solution to making plastics more circular, and we are exploring ways to create plastics using renewable feedstocks to further reduce the carbon footprint of PTA e.g. Partnership with Virent<sup>3</sup> and JM.
- Society needs clear policies for tackling waste and creating a more circular economy.
  - BP believes the waste hierarchy (Avoid, Reduce, Reuse, Recycle) provides an important framework for thinking about policy.

**Commented [MI25]:** Any examples to include from US businesses?

<sup>2</sup>BP Infinia technology and consortium launches

<sup>3</sup>BP, Virent and Johnson Matthey agreement on BP.com

- Policymakers should consider the net environmental impact of available measures. For example, plastics help improve food shelf life, and thereby reduce food waste and the associated greenhouse gas emissions.
- BP advocates policies that will eliminate or reduce plastic incineration or sending plastic waste to landfill. BP also supports policies aimed at improving waste collection facilities, recycling and reuse targets, and packaging redesign to reduce unrecyclable plastics in the market.

**Commented [MI26]:** Example of policy position direction. How can statements like this be considered, potentially reframed/expanded upon, brought to the top of sections to clearly state some positions we would advocate for?

## Further information

- A circular economy is based on the principles of avoiding waste by designing it out, keeping products and materials in use, and regenerating natural systems.
- The waste hierarchy is expressed differently in different jurisdictions. BP's view, as it relates to plastic waste, is as follows:
  - **Avoid:** avoid creating waste through better design and incorporation of circular economy principles from the outset.
  - **Reduce:** minimize the use of plastic where suitable alternatives exist that don't result unintentionally in worse environmental impacts.
  - **Reuse:** find ways to reuse plastic items or find another life for them after their first purpose is fulfilled.
  - **Recycle:** where it is no longer possible to reuse an item in its current form, using enhanced, chemical or mechanical ways to recycle it into a new product:
    - Closed loop recycling, where materials are brought back to an equal or comparable level of quality - e.g. through BP Infinia. This is more circular than:
    - Open loop recycling (or "downcycling"), where materials are converted into new materials of lesser quality and reduced functionality. This is more circular than:
    - Energy recovery and plastics to fuels, where waste plastic is converted into electrical energy or liquid fuels. This is more circular than:
    - Disposal where waste plastic is collected and sent to landfill or for incineration. This is more circular than unmanaged waste entering the environment.
- Policy developments - BP is monitoring the development and efficacy of other policies which include:
  - Extended producer responsibility (EPR) schemes<sup>4</sup>. These are most effective when applied to those actors that have most control over the design of the end-product i.e. those putting the product onto the market. The value opportunity in reduce, reuse and recycle is best captured when planned and designed from the outset.
  - Deposit return schemes (DRS) aim to incentivise the return of items such as bottles or containers (often leading to multiple reuse). Care is needed on their implementation as DRS can remove valuable waste materials from municipal waste streams, thereby increasing municipalities' recycling cost. This makes it harder for municipalities to justify large infrastructure investment, and therefore DRS may not be the appropriate solution in all cases.

<sup>4</sup>EPRs are legislative schemes which seek to pass the costs associated with handling waste plastics to those who produce them.

BP positions - 27 March 2020

- Landfill and plastic taxes. Taxation helps to put a price on waste to encourage circularity, however, other solutions such as recycling and reuse targets may be more effective at driving better waste management. [BP is a member of industry associations that are opposed to a plastic tax based on a rationale that BP agrees with].
- Single use plastic bans on specific products. Single use plastic bans are effective at reducing plastic waste in certain circumstances (e.g. plastic straws, balloon sticks), however, they are a blunt instrument and there are many single use plastics with beneficial uses - e.g. in the medical world, or in food storage - where it might not be appropriate to deploy. For these, other solutions are likely needed that look at waste reduction holistically and also consider the environmental impact of the alternatives.
- \* Regulation on Micro-plastics. [To understand BP's exposure to microplastics we await an EU definition of what constitutes microplastic, expected late 2020. With a shared definition in place, industries and society will be able to engage to understand sources of microplastics, any impact they may have and discuss and collaborate to develop interventions and solutions as necessary.]

## 25. Purpose and ambition

Please see: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/12-feb-2020/bp-ambition-aims-and-purpose-12-feb.pdf>

## 25. Responsible supply chain management

How does BP manage risk along its supply chain?

---

### Key messages

- The scale and complexity of BP's supply chains bring a range of risks that need to be actively and responsibly managed.
- We are standardizing our approach to managing our supply chain in order to drive up standards in areas such as labour conditions and human rights, anti-corruption and environmental protection.
- We see our supply chains as an opportunity to set high standards and contribute to local communities.

### Additional talking points

- BP has more than 65,000 direct suppliers and contractors and hundreds of thousands of indirect suppliers.
  - Including trading operations our annual procurement spend is approximately \$67 billion.
- BP implements standard-model contracts for suppliers and contractors that include requirements on health and safety, security and the environment.
  - We expect our direct suppliers and contractors to cascade these standards through their own supply chains.
- Labour conditions and human rights are a key area of focus for BP.
  - We are aligning our contract conditions with the UN Guiding Principles on Business & Human Rights.
- BP operates in some of the world's highest risk countries from an anti-bribery and corruption perspective.
  - We perform regular supplier audits to ensure that they are complying with related contractual terms.
- Where possible we use contracts that increase our positive impact in the local area.
  - For example, in the West Nile Delta our contracts include a supplier commitment to employ people from the neighbouring communities and to use local suppliers.
- We use our convening power to bring suppliers together to share knowledge.
  - We also work with industry groups such as IPIECA to improve how industry approaches supply chain management issues. For example, we participated in the production of the IPIECA *Company and supply chain labour rights guidance*.

**Commented [MR27]:** Are we asking our suppliers to help with our net zero ambitions as companies like Wal Mart are doing? Must they operate in a way to support our ambitions?

**Commented [MI28]:**

**Commented [MI29]:** Will these evolve to align with our net-zero commitments? Are we supportive of "Working with our suppliers..." to help us achieve our aims, and through collaboration, help them as well?

See also positions on: Human rights

## 26 Revenue and contract transparency

What is BP's policy on revenue and contract transparency?

---

### Key messages

- BP supports transparency of government revenue flows from oil and gas activities as an important tool in promoting accountability and good governance.
- BP reports payments to governments on a country and project basis as required by applicable regulations.
- BP supports contract transparency under conditions that respect sensitive technical and commercial information.

---

### Additional talking points

- Transparency of payments can assist in tackling corruption and contribute to effective institutions and sound public financial management.
  - BP supports consistent and proportionate disclosure, balancing citizens' legitimate desire for information with the need to avoid commercial harm or negative impact on companies.
- We disclose payments for all countries in which we operate under national reporting regulations.
- We await the finalization and adoption of SEC rules under the US Dodd-Frank Act, which has recently been revised and reissued for consultation.
- We are a member of the Extractive Initiative Transparency Initiative (EITI) and on the EITI international board.
  - We support EITI implementation where we operate.
  - We support convergence of payment disclosure rules between national regulators and believe that a standard approach should seek equivalence with EU rules and consistency with the EITI standard.
- Publication of contract agreements for the development of specific areas or fields can improve transparency provided it is:
  - Led by host governments;
  - Applied only to new contracts and across all companies in a given country;
  - Exclusive of sensitive technical and commercial information;
  - And applied only after contracts have been awarded, agreed and signed.

**Commented [MI30]: BOB STOUT:**

Does this resonate with you as the makings of a clear position statement? If yes, I wonder if statements like this should run across more of this document and be up front (maybe in a section called "Our Position(s)", not in additional talking points?)

## 27 Reward

How does BP reward employees on their contribution to emissions reductions?

---

### Key messages

- In 2019 we linked our Sustainable Emissions Reductions (SERs) targets to compensation for around 37,000 employees.
- We will go further in 2020, taking a 10:20:30 approach:
  - Tripling this component to 10% of the total bonus calculation for 37,000 employees.
  - The BP Leadership Team will have 20% of their annual bonus tied to SERs.
  - And we have a medium-term goal that 30% of Group Leaders' 3-year equity plans will be tied to energy transition measures. We will push for this to increase over time.

---

### Additional talking points

- In 2019 we linked emissions reductions targets to compensation for around 37,000 employees
  - those eligible for the annual cash bonus (ACB).
  - This was an industry first to extend the link this far, and these incentives have helped us meet our SER targets 5 years ahead of plan
- We are going further in 2020 - tripling this component to 10% in 2020.
  - This year the SER component is 20% of the group element which forms half of the total bonus calculation (and equating to 10% in total).
  - We believe that this demonstrates our seriousness about becoming a purpose driven organisation.
- The BP Leadership team will have 20% of their annual bonus tied to SERs.
- In addition, there is a medium-term target that 30% of Group Leaders' 3-year equity plans will be tied to energy transition measures.
  - This is a work in progress for now, as we work to decide how to put this into practice.

---

### Proof points

- Compensation and SER
  - In 2019 the SER element was 10% of the group bonus component (which formed a third of the total bonus calculation - equating to 3.3% if the total bonus awarded).
  - This year the SER component is 20% of the group bonus component (which forms half of the total bonus calculation - equating to 10% if the total bonus awarded).
  - Consequently, the SER element of total bonus calculation has tripled from 3.3% in 2019 to 10% in 2020.

See also positions on: GHG emissions

**Commented [MR31]:** Is this section still about our supply chain or has an issue title been left off?

## 28 Scope 3 and customer emissions

Does BP account for Scope 3 and customer emissions?

### Key messages

- Our Aim 2 relates to scope 3 - we aim to dramatically reduce and ultimately neutralize the carbon content of our upstream oil and gas production by 2050 or sooner.
- Our Aim 3 is to cut the carbon intensity of the products we sell by 50% by 2050 or sooner.
- To help to achieve this aim we are improving our products to help our customers manage their GHG emissions.

**Commented [MI32R31]:** Worth a clarification but I believe the other section is about our global supply chain that provides BP products and services. This section is about our value chain - particularly Scope 3 emissions from customer use of our products.

Need to check.

### Additional talking points

- We see the carbon content of upstream production as the main Scope 3 challenge for our sector.
  - We produce nearly 2.7 million barrels of oil equivalent a day across our upstream. That amounts to around 360 million tonnes of emissions if it were all combusted.
  - We have chosen this approach to net zero because:
  - It is simple, accounting for all the carbon in the oil and gas we produce and provide to the world.
  - And it is logical - if this were to happen to every barrel of oil and gas produced, the emissions problem for our sector would be solved.
  - But we recognise that the world isn't that simple. The whole energy system needs to be transformed, and everyone will need to play a part: producers and sellers of energy, policymakers, and users of energy.
- We are aiming to halve the carbon intensity of the products we sell. This includes their carbon content whether the carbon was produced by us or bought in from other producers.
  - This carbon intensity approach to marketed products is in line with some of our peers, and it has the virtue of enabling us to monitor our progress in terms of all forms of energy we provide.
  - It will require us to work more broadly with our supply chain and across all forms of energy we provide.
- We've developed more than 20 carbon neutral products and services using advanced technology and our Target Neutral offsetting programme.
  - And we are creating new low carbon businesses such as BP Chargemaster which is rolling out hundreds of ultra-fast charging points in the UK.
- Tackling customer emissions is likely to need policy support such as a robust carbon price that provides the right incentives for everyone - energy producers and consumers alike - to reduce their emissions.
  - And it can make lower carbon options more competitive and attractive to consumers.
- There are 15 categories of scope 3 emissions. The most material category for BP is 'emissions from the use of the sold products' (category 11). We have set Aim 2 for this category.

## 29 Sensitive and protected areas

What is BP's position on sensitive and protected areas?

---

### Key messages

- BP's current biodiversity position (incorporating sensitive and protected areas) is currently under review. Please view this as a holding statement.
- BP believes that it is for governments to decide if certain areas should be protected, or restrictions placed on their development.
- Every year we review our operations that are in, or close to, what we call International Protected Areas (IPAs).
- Executive approval is required before physical operations that might affect an IPA can take place.

---

### Additional talking points

- BP supports the need to conserve sensitive areas that house the rich natural and cultural heritage of our planet.
- We recognize that some areas may be considered too sensitive for oil and gas activities.
- Wherever we do business our goal is always to avoid, minimize and mitigate potential impacts of our operations and projects.
- We annually update our list of IPAs according to government protected area designations.
  - These include World Heritage Sites, Ramsar sites and those recognized by the International Union for Conservation of Nature.
- We undertake robust and detailed impact assessments on all new projects to determine whether their activities could affect an IPA.
- Decisions are made on a case-by-case basis and on an evaluation of the evidence of our in-depth impact assessments.
  - No major BP operated project has sought to enter an IPA since 2006. There are historical pipeline operations in World Heritage sites and currently seven operations have activities inside IPAs
- We work actively with stakeholders to improve our understanding of sensitive areas, including the UNEP World Conservation Monitoring Centre, NGOs and local communities.
  - We regularly review BP activities in, or near, protected areas and disclose where BP is operating in relation to IPAs in our annual Sustainability Report.

## 30. Tax

Does BP pay a fair rate of tax?

---

### Key messages

- BP pays corporation income taxes, royalties, production taxes, stamp duties, employment and other taxes in countries where we have operations.
  - In 2019, we paid \$6.9bn in income and production taxes to governments (2018: \$7.5bn).
- We also collect and pay employee taxes, as well as indirect taxes such as excise duties and VAT.
- We manage our tax affairs fairly and transparently. We comply with tax laws and have open and constructive relationships with tax authorities.
- In 2020 we intend to expand our disclosures with the publication of a tax transparency report.

---

### Additional talking points

- BP supports transparency in revenue flows from oil and gas activities to governments.
  - We are a founding member of the Extractive Industries Transparency Initiative (EITI), which supports the disclosure of payments made to and received by governments in relation to oil, gas and mining.
- We participate in initiatives to simplify and improve tax regimes to encourage investment and economic growth.
- Our approach to tax aligns with our code of conduct, which sets out what is expected of everyone at BP. This includes acting in a manner that is safe, ethical and consistent with applicable laws and regulations.
- We do not tolerate the facilitation of tax evasion by people who act for or on behalf of BP.

### If pressed:

#### What tax does BP pay in the UK?

- We did not pay any UK corporation tax in 2019. Our programme of investment has been the key driver in our tax-paying position in the UK, alongside reduced revenues due to the impact of the fluctuating oil price in recent years and our more focused portfolio.
- This does not mean that we do not pay taxes in the UK - our payments include employer national insurance contributions and business rates, and we collect taxes including excise duty and VAT on behalf of the government.
- A £16m refund of past taxes was received in 2019 in respect of losses carried back in Petroleum Revenue Tax fields in the North Sea (£78m repayment in 2018). The reduction is due to a decreased level of expenditure.
- In 2019, VAT and Duty in the UK comprised 61% of current pump prices for petrol and 60% for diesel (4 February 2020).

**Commented [MI33]:** Do we need a similar section for the US?

### Further information

See also positions on: BP and society

See also: [BP's approach to tax](#).

### 31. TCFD

#### Does BP support the Task Force on Climate-related Financial Disclosures (TCFD)?

---

##### Key messages

- Aim 9 is to be recognized as an industry leader for the transparency of our reporting.
- We have declared our support for the recommendations of the Task Force on Climate-Related Financial Disclosures.
- We intend to work constructively with the TCFD, and others, to develop good practices and standards for transparency.
- This will be a multi-year journey, but we have already started, and our latest reporting provides information supporting the recommended disclosures on governance, strategy, risk management, and metrics and targets (see [Annual Report p42-43](#)).

---

##### Additional talking points

- Our industry and the investment community are continuing to engage on how best to respond to the TCFD recommendations.
- We supported a landmark special shareholder resolution at our 2019 AGM on climate change related disclosure, that requires us to report on how our strategy is consistent with the goals of the Paris Agreement.
- BP's disclosures under TCFD sit in four categories as follows.
- **Governance:** Disclose the organization's governance around climate-related issues and opportunities.
  - The board is responsible for the overall conduct of the group's business, which extends to setting our strategy and approach to the energy transition. In 2019 climate matters were included on the agenda for each of the six board meetings.
  - The board has reviewed the consistency of our current strategy with the Paris goals (see [Annual Report p17](#)).
  - The assessment and management of climate-related issues is embedded across BP at various levels and delegated authority flows down from the board.
  - Climate-related matters were discussed at each of the 11 executive team meetings in 2019 including the development of BP's ambition and aims ahead of discussion with the board.
  - The executive team is supported by BP's senior-level leadership and their respective teams. Alignment between group, business and functional leaders is fostered through cross-functional bodies.
- **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.
  - As part of their consideration of strategy, the board and executive team consider risks and opportunities associated with climate change and the energy transition.
  - This is informed by a range of external inputs and BP teams/materials including the scenarios described in the BP Energy Outlook.

BP positions - 27 March 2020

- We believe that the transition to a lower carbon economy presents significant business opportunities for BP. Our ambition and 10 aims reflect this.
- We recognize that climate-related risks include both:  
**Physical risks** related to the physical impacts of climate change including event driven risks such as changes in the severity and/or frequency of extreme weather events; and  
**Transition risks** related to the transition to a lower carbon economy including policy and legal, technology, markets and reputational risks. The potential impacts of such climate-related risks are described p70-71 of the Annual Report.
- We place importance on pursuing a flexible strategy which gives us optionality where there is uncertainty about the pathways to achieve the Paris goals. This positions us to deliver our strategic priorities, and net zero ambition and aims.
- We place importance on pursuing a flexible strategy which gives us optionality where there is uncertainty about the pathways to achieve the Paris goals.
- **Risk management: Disclose how the organization identifies, assesses and manages climate-related risks.**
  - Our processes for identifying and managing climate-related risks are integrated into BP's risk management policy and the associated risk management procedures.
  - Operating businesses are responsible for identifying and managing their risks.
  - Climate change and the transition to a lower carbon economy has been identified as a principal risk. This covers various aspects of how risks associated with the energy transition could manifest.
  - Similarly, physical climate-related risks such as extreme weather are covered in our principal risks related to safety and operations.
- **Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**
  - We present the group-wide metrics and targets used to assess and manage climate-related risks and opportunities. This includes the targets we set out in 2018 in our RIC framework.
  - In 2019 BP announced that sustainable GHG emissions reductions ('SERs') would be included as a factor in the reward of around 37,000 eligible employees, including executive directors. See *GHG emissions* and *Remuneration* for more information.
  - In 2020 we plan to increase the percentage of remuneration which is linked to emissions reductions for our leadership and eligible employees. Our Aim 10 is to mobilize our workforce to become advocates for our net zero ambition.
  - See Annual Report p17 for further information.

---

## Further information

- In June 2019 at the Vatican, Group CEO Bob Dudley signed a joint statement recognizing that transparent and meaningful reporting and disclosures are needed to allow investors to assess and encourage progress.

See also positions on: Our purpose and ambitions, GHG emissions  
See also: [https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/bp\\_tcfid-2019.pdf](https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/bp_tcfid-2019.pdf)

## 32. Trade associations and advocacy

Are BP's trade association memberships and advocacy consistent with its new purpose and ambition?

---

### Key messages

- We used a rigorous process to assess 30 key associations - those involved in climate and salient to stakeholders - alignment on climate and the energy transition.
- We found 22 aligned, five partially aligned and three not aligned.
- We act where we are not aligned. As a result of this review, we left three not aligned associations:
  - American Fuel and Petrochemical Manufacturers (AFPM) - not aligned on carbon pricing.
  - Western Energy Alliance (WEA) - not aligned on US methane regulation.
  - Western States Petroleum Association (WSPA) - not aligned on carbon pricing.

---

### Additional talking points

- Our ambition is to become a net zero company by 2050 or sooner, and to help the world get to net zero. Underpinning our ambition are ten aims. Three are relevant to trade associations:
  - Aim 6 is to more actively advocate for policies that support net zero, including carbon pricing.
  - Aim 8 is to set new expectations for our relationships with trade associations.
  - Aim 9 is to be recognized as an industry leader for the transparency of our reporting.
- We understand that trade association positions are often a compromise or majority view and we will be respectful of others' views and perspectives.
  - Therefore, we can't expect that a trade association's position will always be the same as our own.
  - We assessed alignment against seven high-level positions including supporting the goals of the Paris Agreement.
- Following our review, Bernard Looney wrote to our key trade associations to clarify BP's position on climate change:
  - We support the goals of the Paris Agreement;
  - Our ambition is to become a net zero company by 2050 or sooner, and to help the world get there too. We intend to actively advocate for policies that support this ambition;
  - We support transparency - especially on lobbying and advocacy.
  - Where differences arise, we will seek to influence from within.
  - If we reach an impasse, we will be transparent in publicly stating differences.
  - And on major issues, if our views and those of an association cannot be reconciled then we will be prepared to withdraw our membership.

**If pressed:**

- **Why are you still members of the American Petroleum Institute (API)?**
  - API took significant steps in 2019 to revise its climate position. BP worked closely with API on these changes and we will continue to do so.
  - Our review found API to be partially aligned with BP - with the lack of alignment largely due to differences on the federal regulation of methane in the US.
  - We will continue to make the case for our views on methane and broader climate policy within and outside of API.
  - API has a unique role as the major standard-setting organization for the industry in the US in many areas such as fuels, emissions, and most importantly, safety. Benefits should be carefully balanced against differences in terms of climate policy.

---

**Further information**

- **Benefits of trade associations**
  - Trade associations are groupings of companies who come together for a shared purpose. For example, to develop standards, develop and share good practice or support professional development.
  - They can be general or multi-sectoral; sector-specific; or issue-specific.
- **Trade associations review**
  - We undertook our review between September 2019 and February 2020.
  - We found five associations to be partially aligned: American Petroleum Institute (API), Australian Institute of Petroleum (AIP), Canadian Association of Petroleum Producers (CAPP), National Association of Manufacturers (NAM) and the US Chamber of Commerce.
  - We plan to undertake another review in around two years' time.
- **Lobbying disclosure and legal requirements**
  - We make disclosures under the relevant laws within the jurisdictions in which we operate. For example, BP is registered in the Transparency Register of the European Union and we make disclosures under the US Lobbying Disclosure Act (LDA).
- **Political activity**
  - BP does not contribute to political campaigns or parties.
  - We recognize our employees' right to participate as individuals in the political process. Employees who do this must make it clear that their personal views and actions are not those of BP.
  - In the US, BP provides administrative support to the operation of the BP employee political action committee (PAC) to facilitate employee involvement and compliance with campaign finance law.

See also positions on: Our purpose and ambitions, carbon pricing

### 33. Transport

Is electrification the solution for decarbonized transport?

---

#### Key messages

- The challenge in transport is to significantly reduce emissions while meeting the growing global need for mobility.
- Electrification will play a major role in decarbonization but will need support from other technologies.
- In the meantime, it's important to keep focused on improving the performance of the internal combustion engine.
- Decarbonizing transport will require a range of well-designed and technology-neutral policy support.

Commented [MR34]: such as hydrogen

---

#### Additional talking points

- Transport accounts for around a quarter of carbon emissions from the combustion of fossil fuels. This will have to be significantly reduced if the world is to achieve net-zero emissions.
  - But transport energy demand is growing - extrapolating from recent trends BP analysis suggests that the number of cars on the road could double from one to two billion in the next two decades.
  - In BP's Evolving Transition (ET) scenario, the number of electric vehicles reaches around 350 million by 2040, of which 300 million are passenger cars. This is equivalent to around 15% of all cars and 12% of LDTs.
  - The emissions savings will be dependent on the carbon intensity of the grid that charges them.
  - Electrification may not be commercially or technically feasible in other parts of the transport sector such as long-distance haulage, shipping or aviation, or in certain geographies.
  - A range of technologies, including biofuels, 'e-fuels' and hydrogen, may be required as well as making use of developments in the broader mobility revolution such as autonomous vehicles and shared mobility services.
- BP analysis suggests half of cars in Europe and over two thirds in the world could still have internal combustion engines (ICEs) by 2040.
  - So, it is important to identify cleaner and better fuels and lubricants, increase the use of biofuels and improve the efficiency of ICEs.
  - Vehicle efficiency regulations are an essential component. These should seek to incentivize emissions reductions from all technologies.
  - This also includes greater recognition of the benefits of new, more advanced fuels and lubricants, increasing access to ultra-fast charging and support for sustainable biofuels.
  - Easy access to ultra-fast charging will help address concerns over range and provide a solution for those that cannot charge at home, enabling mass adoption of electric vehicles.

## Further information

### Impact of ICE ban on oil demand

- BP's 2018 Energy Outlook considered the impact of progressive restrictions on the sale of new ICE vehicles throughout the 2030s on the Evolving Transition (ET) scenario, culminating in a worldwide ban on their sale by 2040.
- Compared to the ET scenario an ICE ban has a negligible impact on liquid fuel demand unless there are additional investments in other forms of ICE vehicle efficiency. This highlights the need for both electrification and continual improvements to ICEs.
- Even if the ICE ban is accompanied by improvements in vehicle efficiency - and all EVs are assumed to be powered entirely by renewable electricity - carbon emissions in the scenario are only 3% points lower in 2040 compared to the ET scenario. This demonstrates the need for decarbonization across the economy including - but not only - in transport.

### BP EV charging facilities

- BP believes ultra-fast charging infrastructure (>150kW) is critical to overcoming some of the key barriers to consumer acceptance [and mass deployment] of Electric Vehicles. It helps reduce range anxiety, offer more convenient access to charge points and ensure access to charge points for those without it at home.
- Governments need to support incentives for faster charging battery technology and to encourage the motor manufacturers to adopt ultrafast charging capability. BP is advancing ultrafast charging through our investments in StoreDot (a leading developer of ultra-fast charging batteries), FreeWire (a manufacturer of mobile rapid charging systems) and our acquisition of Chargemaster (the UK's largest EV charging company).
- In 2018, BP acquired Chargemaster, the UK's largest public electric vehicle charging network.
- We are rolling out ultrafast charging infrastructure across the world:
- UK - 70 ultra-fast chargers will either be live or being installed on BP forecourts by the end of 2019, with a nationwide network of hundreds due to be installed by the end of 2021.
- Germany - we are piloting ultra-fast chargers at some of our key retail sites.
- China - in partnership with DiDi Chuxing, developing a network of charging hubs to serve the world's largest EV fleet (600,000 Electric Vehicles).

### Reducing transport emissions where electrification is not likely to be feasible

- BP is a leader in biofuels. In addition to BP Bunge Bioenergia - our 50:50 joint bioenergy venture in Brazil - we are active in renewable diesel, biogas, and we have invested in Fulcrum Bioenergy, which has developed a process to convert domestic waste into biojet fuel and we are reducing the carbon content of our fuels by co-processing renewable feedstocks in some refineries.
- We are working on longer-term solutions such as e-fuels and hydrogen that could significantly decarbonize aviation, shipping, and heavy road transport and were the first refinery to use green hydrogen in the production of fossil diesel.

See also positions on: Biofuels, Hydrogen, Gas

**Commented [MR35]:** should this have a policy section like many of the others? TCI in the northeast, LCFS, carbon price, EV incentives and infrastructure, ICE engine bans

## 34. Water management

How does BP manage water resources?

---

### Key messages

- Water is one of the planet's most precious resources, which is why we actively manage its use.
- We annually review water risks across our business, working to reduce freshwater demand and improve the quality of wastewater we release back into the environment.
- Water availability can vary greatly across our areas of operations, so we focus on specific solutions that are adapted to local conditions.

---

### Additional talking points

**Commented [MI36]:** Position on waste water recycling and some of the work BPX is doing?

- Freshwater availability is increasingly under stress in several parts of the world due to population growth, development and climate-related impacts.
- We report across a range of metrics on water management in our annual sustainability report.
  - We estimate that around half of our major operations withdraw freshwater in areas where its availability is stressed or scarce.
  - We continue to invest in wastewater and produced water treatment technology and systems.
- Due to the local nature of water-related risks, we do not set group-wide targets.
  - We use local performance indicators where practical based on local availability, quantity, quality and applicable regulatory requirements.
  - For example, our gas operation at Khazzan in Oman is implementing several new solutions after a 2018 modelling study led to the formulation of a long-term water management plan.
- We work with industry associations IPIECA and IOGP to develop and share good practice in water management.
  - Our technical teams collaborate with peers and others to identify opportunities to reduce risks, improve reliability and lower costs in water management.

---

### Further information

- In 2019 we saw a 4% rise in freshwater withdrawals and a 3% rise in freshwater consumption.
  - This was largely due to increased production, with the freshwater withdrawal and consumption intensities remaining flat compared with 2018.
- Based on analysis using the World Resources Institute Aqueduct Global Water Risk Atlas, in 2019 four of our 26 major operating sites were located in regions with high or extremely high water stress, with another four located in areas of medium to high water stress.

See also positions on:

## Appendices - further information sources

BP Annual Report and Form 20-F 2019:

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2019.pdf>

BP Sustainability Report:

<https://www.bp.com/en/global/corporate/sustainability.html> BP's approach to tax:

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/bp-approach-to-tax-2018.pdf>

Business and Human Rights policy - BP:

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/bp-human-rights-policy.pdf>

Climate Action 100+ resolution talking points:

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/climate-action-100-resolution-talking-points.pdf>

Gender pay gap report 2019 (UK): [https://www.bp.com/content/dam/bp/country-sites/en\\_gb/united-kingdom/home/pdf/bp-uk-gender-pay-gap-report-2019.pdf](https://www.bp.com/content/dam/bp/country-sites/en_gb/united-kingdom/home/pdf/bp-uk-gender-pay-gap-report-2019.pdf)

Our ambition and aims: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/12-feb-2020/bp-ambition-aims-and-purpose-12-feb.pdf>

Our participation in trade associations: climate:

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/our-participation-in-trade-associations-climate.pdf>

TCFD - climate-related financial disclosures:

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/bp-tcfd-2019.pdf>