

Wall Street Journal bpx flaring reduction story - February/March 2021**Reporter:** Christopher Matthews **Twitter:** @cmatthews9

Matthews writes about oil and gas for **Wall Street Journal** and is based in Houston. He previously covered white-collar crime, law enforcement and courts in New York City. He also has written for the WSJ's Risk and Compliance Journal in Washington, D.C..

Why Matthews: WSJ is highly regarded global outlet. Matthews is down to earth and has always been a fair and balanced reporter when working with bp. However, he's tough and won't be afraid to ask the hard questions - he knows the industry very well. Having a solid reporter tell the story gives us greater credibility. Chris has interviewed bpx team so we have familiarity. Being Houston based, Chris could travel to an asset for a much better story.

Recent work by Chris Matthews:

Green Hydrogen Plant in Saudi Desert Aims to Reshape Energy Grid

This Is What It Looks Like When a Texas Oil Boom Busts

Big Oil Companies Lose Billions, Prepare for Prolonged Pandemic

Background on interview: This is an on-the-record, exclusive to WSJ about bp's journey to net zero and how we are reducing methane at our Permian Basin assets.

Potential benefits:

- Huge opportunity for bp to own this story and humbly promote the efforts we are making when it comes to flaring intensity.
- We are leading bp on Aims1, Aims 4 at bpx. This is real proof of actually reducing emissions.
- This is the future of energy and allows bp to elevate the importance of resilient, focused hydrocarbons within a "greening" narrative.

Potential risks:

- Opens us up to attack on flaring - are we doing enough and are we doing it fast enough? Will we ever really get to zero routine flaring?
- Exception permits likely to play into any story.
- Some in Texas and LA don't agree with bp's "green" ambitions - need to be sensitive to this audience - *"thread the needle"*.

Themes for communicating about bp's ambition to get to zero routine flaring in Texas.

1. Humble - yes, we've made significant progress, but still have work to do
2. Resilient and Focused hydrocarbons and importance to net-zero strategy.
3. Safety - highest priority
4. Leadership - among peers, within company. Critical to bp's net zero ambition and getting world there too.
5. Technology and Innovation - The future of energy

Potential FAQ:

Q: So, let's take a step back and start with acquiring these BHP legacy assets - fair to say they weren't quite where you needed them to be?

A: In 2018 bp acquired BHP's American shale assets in a \$10.5 billion acquisition. Recognizing the long-term value of these prospects for bp to high-grade our production and operations portfolio and deliver more competitive production we made a conscious decision to front load sizeable infrastructure projects. These projects enhance our production, lower our emissions and flaring, and significantly reduce risk in our operations.

Q: Can you tell us about your ambition around zero routine flaring? Why now?

A: In September 2020 we announced our ambition to achieve zero routine flaring in Texas and we have several projects underway to achieve this outcome. Along with Shell we sent a letter with our intention to the Texas Railroad Commission.

Q: So, what exactly are you doing to get to zero routine flaring?

A:

- BPX Energy remains an industry leader in understanding the challenge posed by methane emissions and taking voluntary actions to achieve significant reductions in this area.
- For example, the business has:
 - We have built centralized facilities which, combined with some of our other emissions reduction efforts, reduce flaring and further reduce methane intensity. These facilities include electrified central oil, gas, and water handling equipment which eliminates site flash gas, a large source of flaring.
 - All bp well sites are tied into gas delivery pipelines from start-up and we will not put a new well online in the Permian unless the wells have access to a gas pipeline.
 - Replaced around 99 percent of its high-bleed pneumatic controllers with continuous low-bleed and intermittent controllers
 - Introduced drone-mounted sensors to help inspect equipment, which can cover multiple well pads more efficiently than hand-held devices
 - Implemented "green completion" technology on its wells before it was a regulatory requirement, helping to minimize gas flaring and venting while recovering more for sale.

Q: Can you tell us more about the centralized facilities?

A: We commissioned our first major facility in June 2020 - a little over a year after we took over operational control. This facility, which we call "Grand Slam," includes electrified central oil, gas, and water handling equipment which eliminates site flash gas and significantly reduces our emissions and flaring and increases our production.

- **Grand Slam:**
 - Largest infrastructure project to date for BP in the US onshore business.
 - Design, procurement, construction, and commissioning took over 12 months.

- Over 600,000 manhours worked with zero recordable safety incidents.
- Process 43 mboepd per day
 - CDP capacity of 100 mmcsfd and 26 kbopd (expandable to 150 mmcsfd and 40 kbopd)
 - SWD capacity of 120 kbwpd (equivalent to 8 Olympic size swimming pools per day);
- Electrical substation and distribution network with a capacity capable of powering nearly all residential homes in Austin (with option to purchase 100% green energy).

Simultaneously, we have been actively improving our find and fix detection program. Today we deploy a combination of fixed wing aircraft and drones with various mounted leak detection sensors to help inspect equipment, which can cover multiple well pads more efficiently than hand-held devices.

We still have more to do - we have additional infrastructure plans in the current capital framework which will help us further reduce emissions and flaring and achieve our corporate aims.

Q: And what has been the result?

A: We have already made significant progress toward this ambition and today our flaring intensity in the Permian Basin is less than 4%, down from 15% as recently as the fourth quarter of 2019.

Q: What has been the financial cost of all of this?

A: XYZ - we need to be prepared to give a number here and then stick with it.

Q: Yes, but you guys keep applying for these exceptions permits, are you serious or not?

A:

- We have already made significant progress toward this ambition and today our flaring intensity in the Permian Basin is less than 4%, down from 15% as recently as the fourth quarter of 2019.
- However, there's still work to do and exception permits are necessary for our operations as we continue to pursue our ambition.
- We are committed to zero routine flaring and will continue to work with the commission on this critical issue.

Q: What about your partnership with Environmental Defense Fund?

A: In 2019, BP and the Environmental Defense Fund announced a three-year strategic commitment to advance technologies and practices to reduce methane emissions from the oil and gas supply chain. The agreement means the two organizations are working together,

along with universities and other experts, to test technologies and strategies to improve methane management.

Q: Are you turning your backs on hydrocarbons and going all “green”?

A:

- No - hydrocarbons remain core to our strategy.
- We’ve been very transparent about how we need the cashflows that come from our hydrocarbon businesses to fund our transition.
- Even as we aim to reduce our oil and gas production by 40% and rapidly scale up our low carbon businesses.
- In North America, bp has a strong position to deliver value we are proud of which reflects our unique heritage.

Q: I don’t get it, how can you be continuing to invest in hydrocarbons, but also reducing emissions and going “green”? What do you mean by resilient hydrocarbons?

Again - the two can co-exist. We are not ‘turning our back’ on oil & gas. Yes, hydrocarbons will be a smaller part of our portfolio globally, but Texas and these assets will be central to bp as the engine of value creation and the enabler of our transformation.

1. In 2030, we still expect to be investing \$9-11 billion into our oil & gas business per year.
2. bpx energy, which as I noted earlier is nearly exclusively operating in Texas, is one of the few areas where the business expects to grow our hydrocarbons.
3. In fact, for us to be successful in this pivot, our hydrocarbons business must be industry leading. So, we are absolutely committed to running a safe, reliable, and resilient oil and gas business.
4. We are also committed to making these assets as low carbon as possible in line with bp’s new ambitions.

Q: Can you give me a bit more on the low-carbon piece?

A: Our upstream business is going to play a critical role in helping bp to achieve its ambition to be a net zero company by 2050 or sooner by being directly accountable for delivering Aims 1 (net zero operations) and 4 (measuring then halving methane intensity).

- We have targets for reductions in operational emissions, what we call Aim 1. A 20% reduction in our operational emissions by 2025.
- For aim 4 - applying our methane measurement approach by 2023, pursuing a 50% reduction in methane intensity based on that measurement approach, and as an interim step, targeting 0.20% methane intensity or better by 2025.

Additional strategy background if helpful:

- We are setting out a new strategy that will see us pivot from being an international oil company focused on producing resources to an integrated energy company focused on delivering solutions for customers.
 - Our strategy is built around three focus areas of activity and three sources of differentiation to amplify value:
 - **Resilient and focused hydrocarbons** - maintaining an absolute focus on safety and operational reliability, we intend to continue to high-grade the portfolio like we did with the BHP acquisition, resulting in more competitive production. Texas is at the center of our hydrocarbon strategy.
 - **Convenience and mobility** - putting customers at the heart of what bp does, helping accelerate the global revolution in mobility, redefining the experience of convenience retail, and scaling bp's presence and fuel sales in growth markets
 - **Low carbon electricity and energy** - building scale in renewables and bioenergy, seeking early positions in hydrogen and Carbon Capture use and Storage (CCUS), and building out a customer gas portfolio to complement these low carbon energies.