



Working draft for
discussion purposes only

COVER NOTE __

Goal



Identify, prioritize, and manage
cross-cutting policy issues for BP America

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Objectives



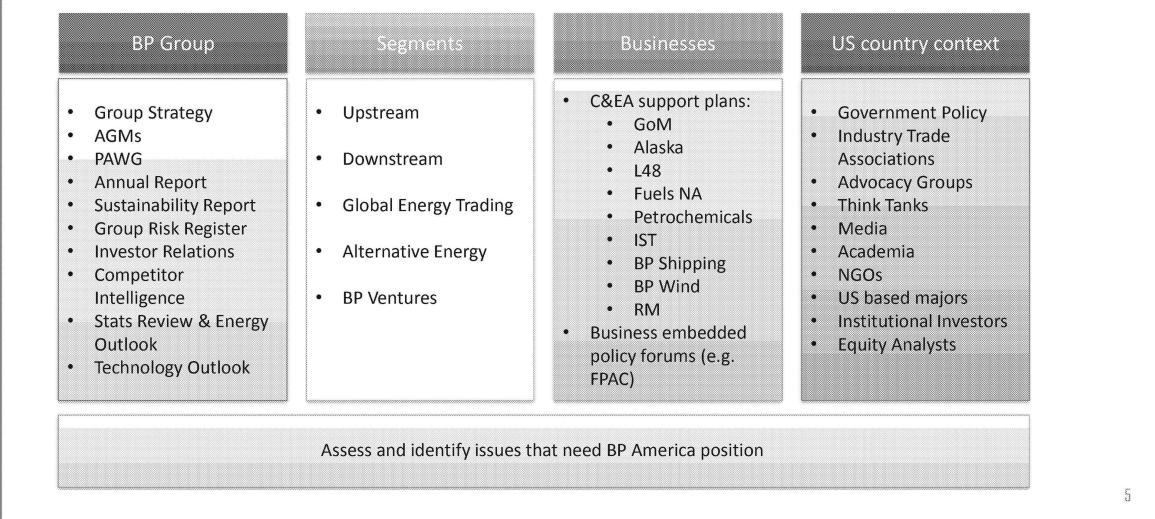
1. Identify and prioritize policy issues that need BP America position
2. Understand each policy issue and decisions we need to make
3. Decide our fundamental position
4. Craft our position, key objectives, and messages
5. Manage our position, message, and advocacy

Objectives



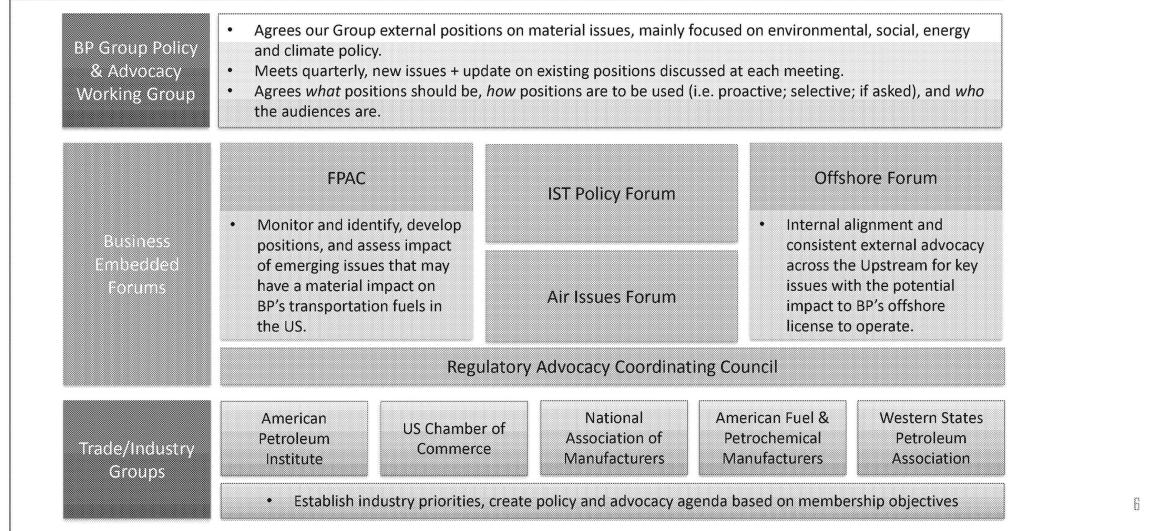
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Context

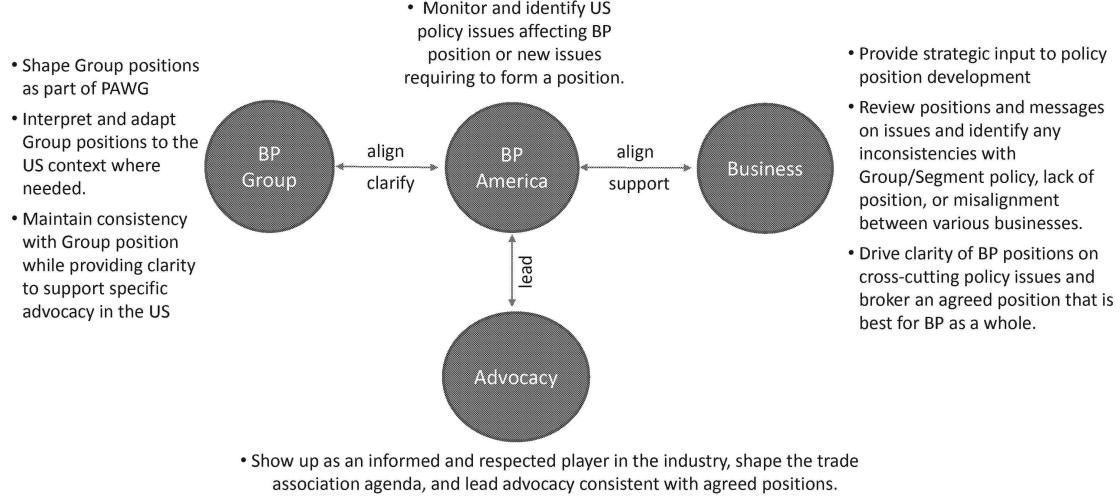


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Established processes



Role of BP America in policy development



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Expected Value



- **Promote and support US businesses** agenda by effectively managing potential impacts of federal, state, and local policies and regulations
- **Ensure stability of businesses** in the US through advocacy based on sound understanding of regulatory risks and opportunities
- **Promote BP value and growth** in the US by influencing changes to regulatory environment based on policy positions developed in alignment with the businesses

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Align with Gabe's language. -- promote

Bullet 2 – we're already effective advocates, be more cohesive, strategic, forward leaning, targeted, effective advocates

Part of a conversation earlier- we haven't been clear on what we thought.

Proactively shape the discussion and policy while it is being developed, rather than reacting to it after it has been introduced.



How important is the issue to stakeholders?

What is the estimated business impact?

Importance to stakeholders

	Environmental or societal impact	Extent of stakeholder concern	Integral to BP's core activities	Sustainability credentials
Higher	Perceived as having a high impact on society or the environment	Known to be of high priority to 'core' stakeholders	Strongly related to the activities of BP and others in its sector Related to possible non-compliance with BP policies & commitments	Particularly important in enabling judgments to be formed about BP's sustainable development management
Medium	Perceived as having a moderate impact on society or the environment	Known to be of moderate priority to core stakeholders, or high priority to other stakeholders	Is related to the activities of the company but also many other industry sectors	Is fairly important in enabling judgments to be formed about BP's SD management
Lower	Perceived to have a low impact on society or the environment	Known to be of low priority to most stakeholder categories	Is only indirectly related to the activities of the company	Is not very important in enabling judgments to be formed about BP's SD management

BP Group risk management process

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Business Impact

		Media or public reaction	Government/key stakeholder reaction	License to operate	Management time	Financial Impact
Higher	A	Public or investor outrage on a global scale	Major intervention from major government – US, UK, EU, Russia Irrevocable damage to relationships with key stakeholders of benefit to the Group	Threat of global loss of license to operate	Long term diversion of management time to manage issue / event	>\$20 billion
	B	Public or investor outrage in major western markets – US, EU	Intervention from major government – US, UK, EU, Russia Damage to relationships with key stakeholders of benefit to the Group	Loss of license to operate a major asset in a major market – US, EU, Russia	Long term diversion of executive management time to manage issue / event	\$5 billion - \$20 billion
	C	Public or investor outrage in other material market where we have presence or aspiration	Intervention from other major government	Loss of license to operate other material asset, or severe enforcement action against a major asset in a major market	Mid-term diversion of executive management time to manage issue / event	\$1 billion - \$5 billion
Medium	D	Public or investor outrage in a non-major market, or localised or limited "interest- group" outrage in a major market Prolonged adverse national or international media attention Widespread adverse social impact	Interventions from non- major governments Damage to relationships with key stakeholders of benefit to the segment	Severe enforcement action against a material asset in a non-major market, or against other assets in a major market	Short-term diversion of Board and executive management time to manage issue / event	\$100 m to \$1 billion
Lower	E	Limited "interest- group" outrage in non-major market Short term adverse national or international media coverage	Damage to relationships with key stakeholders of benefit to the SPU	Other adverse enforcement action by regulators	Mid-term diversion of executive management time to manage issue / event	\$5m - \$100m
	F	Prolonged local media coverage Local adverse social impact	Damage to relationships with key stakeholders of benefit to the performance unit	Regulatory compliance issue which does not lead to regulatory or other higher severity level consequence	Short-term diversion of executive management time to manage issue / event	\$500k- \$5m
	G	Short term local media coverage	Some disruption to local operations (e.g., loss of single road access less than 24 hours)	Non-compliance with industry standards but no regulatory action taken	Mid-term diversion of executive management time to manage issue or event	\$50k - \$500k
	H	Isolated and short term complaints from neighbours BP Group (e.g. complaints about specific noise episode)	Minimal damage to relationships with local stakeholders or neighbours	Non-compliance with standards that exceed industry norms	Short-term diversion of senior management time to manage issue or event	<\$50k

Ability to influence – e.g. RVP waiver for E15.

Needs to be part of this equation – helps us to prioritize

Redacted - First Amendment

How do we talk about it

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Objectives



1. Identify and prioritize policy issues that need BP America position

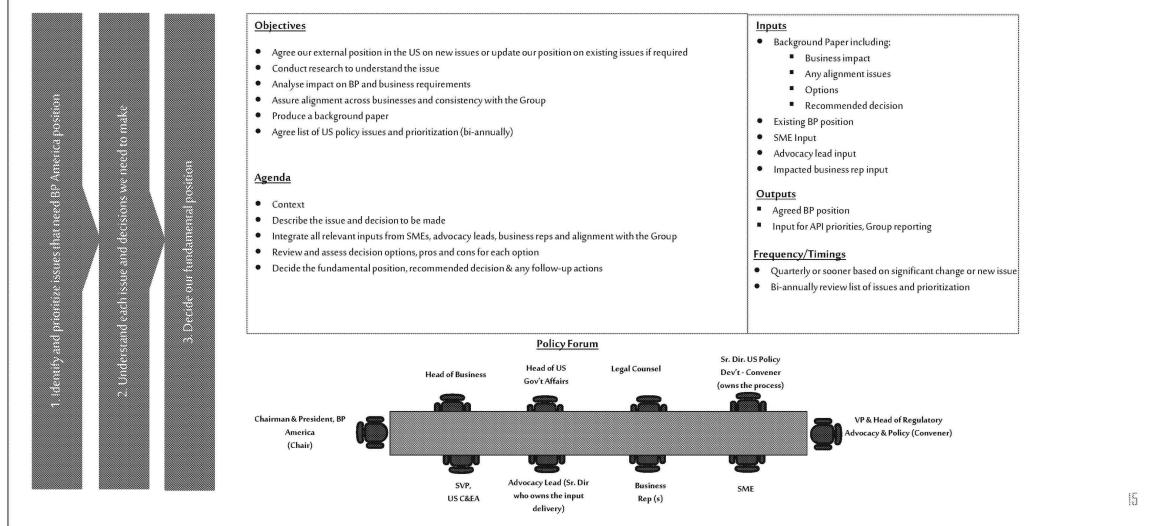
2. Understand each policy issue and decisions we need to make

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2 - 3. Understand each issue & decide our fundamental position



Twice/year – piggy back business objectives.

Susan Dio – credibility – not confuse this conversation what is our position.

Separate meeting – what are we going to do about it. Do at the same time – and have Susan in there.

FPAC – agenda – group you can go to. FPAC – fuels and IST are brought in to fuels related issues. Smaller work-group – as part of the process –

Valerie – socialize – mary/bob/liz/joe – peers in the businesses -

Can see value in having one group look at all issues – to provide consistency

FPAC – Tom Miller – stringent – we set the advocacy.

Needs structure

Like the life cycle

Think defining who is really responsible -

Overlaps – own centralized things – Vincent in IST. TOM in fuels, upstream? Petchems. How to go about doing them is right. Clarity on who does it.

What's tom doing, what's C&EA doing? Some of these roles were set up before there was C&EA.

Elevate to BPA – business says what they need and want for the business. We go get it. Policy – bigger question. PAWG, etc. are setting policy –

C&EA LT – crazy meetings. Take it there. Have them all in the room. Make it business want it too. Duplication of effort – RFS paper – perfect example.

Get susan to approve –

They'll decide without our input – come up with the list – first –

Maybe more formal group – they know who to go to when there's.

Objectives



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2. Understand each policy issue and decisions we need to make
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4. Craft our position, key objectives, and messages
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4. Craft our position & key messages



1. Identify and Prioritize issues that need BP America's position

2. Understand each issue and decisions we need to make

3. Decide our fundamental position

4. Craft our position & key messages

- Issue Paper documents BP position on material issues and BP's objectives
- Provides systematic, consistent approach to documenting structured, clear, well-defined position
- Consistency of messaging across wide-ranging internal stakeholders
- Avoids repetition and saves time, accessible in central policy library
- Quick reference tool for business leaders to be informed advocates about external issues affecting BP in the US

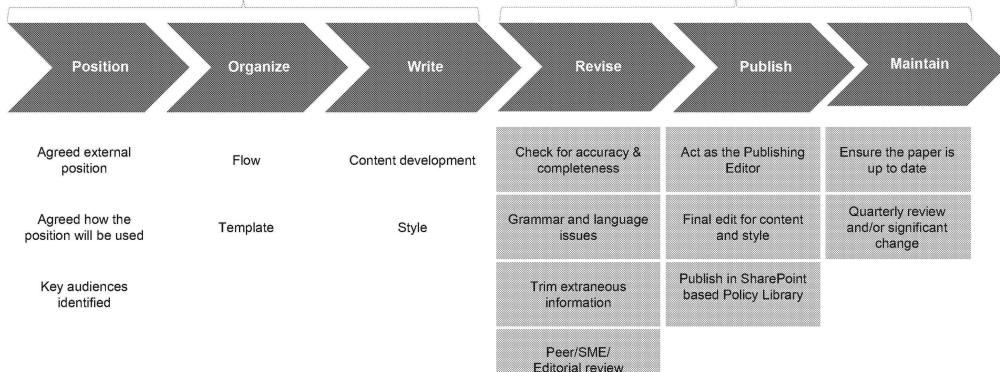
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Issue Paper Development Life Cycle



Owner: Advocacy Lead for the issue

Owner: Sr. Director, US Policy Development



Week 1

Week 2

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5. Manage our position, message, & advocacy



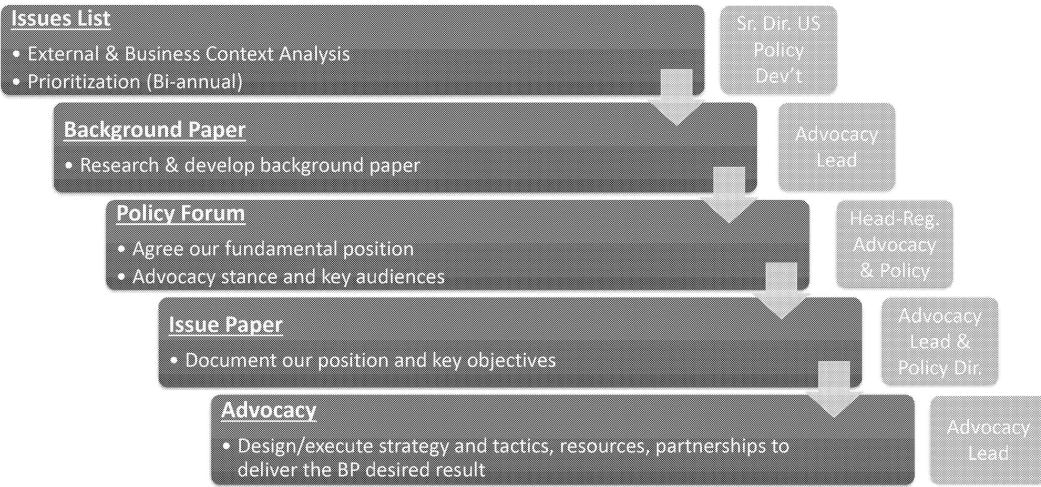
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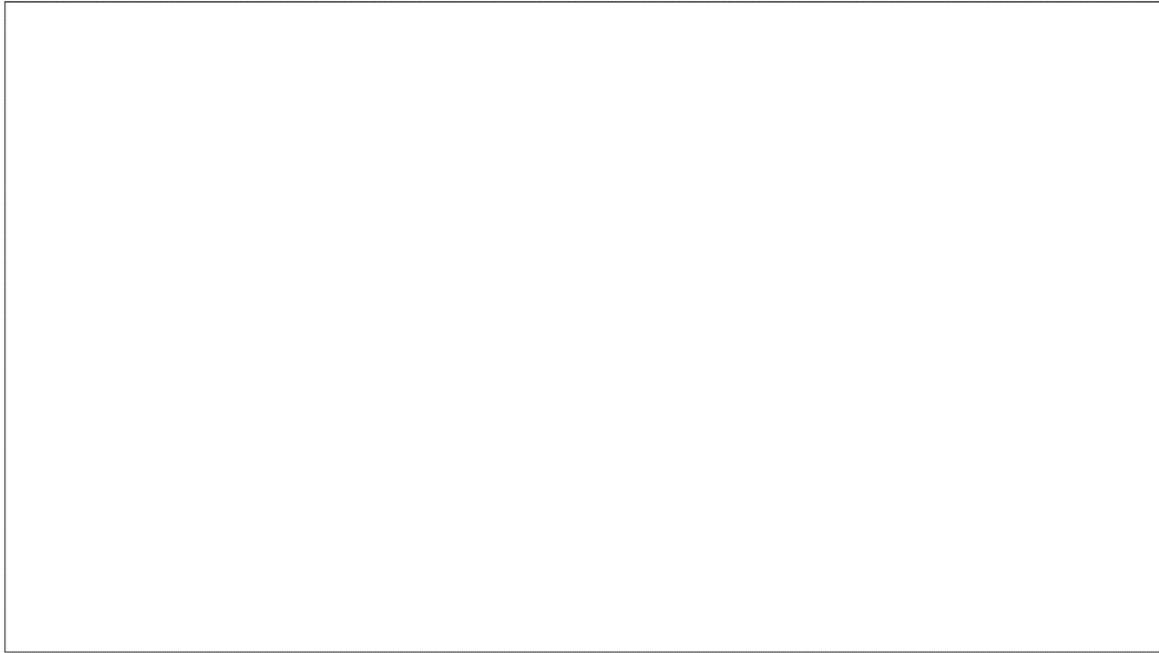
5. Manage our position, message & advocacy

Advocacy Lead to:

1. Design and agree high-level advocacy approach
2. Assess pros and cons of BP vs. trade lead effort
3. Assess resources required
4. Secure and leverage alliances
5. Design and execute the tactical plan
6. Iterate the plan to respond to emerging risks and opportunities
7. Capture and share learnings

Policy Development Cycle and Leads





COVER NOTE __

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How do we talk about it

BP's Purpose and Strategic Priorities

BP is taking action to support the world's transition to a lower-carbon economy.

We are limiting greenhouse gas emissions across our businesses while continuing to meet growing global energy demand.

BP has decades of experience addressing this dual challenge, and today all four components of our business strategy are working to advance a lower-carbon future.



Advancing the Energy Transition in the U.S.

Heat, light and mobility solutions for a changing world

Growing gas and advantaged oil in the upstream

Market-led growth in the downstream

Venturing and low carbon across multiple fronts

Modernizing the whole group

Our Lower-Carbon Framework

BP's strategy for advancing the energy transition is based around a simple framework: "Reduce-Improve-Create."

We're working to reduce emissions in our operations, improve our products, and create new low-carbon businesses while growing our established portfolio of renewables.

Globally, BP plans to allocate at least \$500 million a year for low-carbon activities.



Advancing the Energy Transition in the U.S.

Reducing emissions in our operations

Zero

net growth in operational emissions out to 2025

3.5Mte

of sustainable GHG emissions reductions by 2025

Targeting methane intensity of

0.2%

and holding it below 0.3%

Visit bp.com/zerogrowth for specific on these nine goals and bp.com/zerogrowth for information on our wider program.

Improving our products



Provide lower emissions gas



Develop more efficient and lower-carbon fuels, lubricants and petrochemicals



Grow lower-carbon offers for customers

Creating low-carbon businesses



Expand low-carbon and renewable businesses



\$500 million invested in low-carbon activities each year



Collaborate and invest in the Oil and Gas Climate Initiative's \$1 billion fund for research and technology

PAWG Group Positions

Agreed Positions

- Advocacy and Lobbying
- Air quality
- The Arctic
- Biofuels
- Biodiversity
- Canadian oil sands
- Carbon capture, use and storage (CCUS)
- Carbon life cycle assessment (LCA)
- Carbon offsets
- Carbon pricing
- Climate change adaptation
- Electrification of transport
- Energy efficiency
- Free, prior and informed consent (FPIC)
- Human rights
- Innovation policy
- Low carbon fuel standards (LCFSs)
- Low carbon and the energy transition
- Modern slavery
- Marine spatial planning
- Methane emissions from the oil and gas sector
- Responsible supply chain management
- Renewable energy
- Revenue and contract transparency
- The role of natural gas
- Sensitive and international protected areas
- Sustainable development goals
- Unburnable carbon
- Unconventional gas and hydraulic fracturing
- Water management

New Positions

- Fossil fuel subsidies
- Environmental Performance Standards (EPS)
- Role of oil
- Strategic resilience

Group Sustainability Report

Material Issues

- **Climate change & the energy transition:**
 - Our commitment to advance a low carbon future
 - Greenhouse gas emissions
 - Renewable energy
 - Innovation and venturing
- **Safety:**
 - Preventing accidents
 - Personal safety
 - Cyber security and security
- **Human rights:**
 - Worker welfare
 - Rights of people in communities
 - Security and human rights
- **Society:**
 - Social contributions
 - Revenue transparency
 - Community engagement
- **Environment:**
 - Sensitive areas
 - Water
 - Air quality
 - Hydraulic fracturing impacts
- **People & ethics:**
 - Skills & capability
 - Diversity & inclusion
 - Business ethics
 - Anti-bribery and corruption
- **Governance and risk:**
 - Governance of sustainability issues
 - Risk management



- **Strategy, performance, and forward plan:**
 - 2040 Energy Outlook
 - Strategic Resilience
 - Shareholder Distributions
- **Climate change:**
 - Climate change and GHG emissions
 - Reduce-Improve-Create framework
- **Safety**
- **Environmental and social responsibility:**
 - Advocacy and lobbying
 - Environment
 - Human rights and modern slavery
 - Social responsibility
- **Country and business specific:**
 - Azerbaijan and Southern Corridor (EITI, Human rights, SGC, contribution to Azerbaijan)
 - Russia (BP and Rosneft JVs, technical cooperation)
 - Sanctioned countries (Russia, Iran)
 - United Kingdom (Brexit, North Sea, Employee pay and conditions, fuel pricing)
 - United States (DWH, Russia relations, Free trade, tax reform)
- **Employees and governance:**
 - Diversity and inclusion
 - Executive remuneration
 - UK governance development

Group Risk Factors (1 of 2)

Strategic & commercial risks:

- Prices and markets – our financial performance is impacted by fluctuating prices of oil, gas and refined products, technological change, exchange rate fluctuations, and the general macroeconomic outlook
- Access, renewal and reserves progression – our inability to access, renew and progress upstream resources in a timely manner could adversely affect our long-term replacement of reserves.
- Major project delivery – failure to invest in the best opportunities or deliver major projects successfully could adversely affect our financial performance.
- Geopolitical – exposure to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption.
- Liquidity, financial capacity and financial, including credit, exposure – failure to work within our financial framework could impact our ability to operate and result in financial loss.
- Joint agreements and contractors – varying levels of control over the standards, operations and compliance of our partners, contractors and sub-contractors could result in legal liability and reputational damage.
- Digital infrastructure and cyber security – breach of our digital security or failure of our digital infrastructure including loss or misuse of sensitive information could damage our operations, increase costs and damage our reputation.
- Climate change and the transition to a lower carbon economy – policy, legal, regulatory, technology and market change related to the issue of climate change could increase costs, reduce demand for our products, reduce revenue and limit certain growth opportunities.
- Competition – inability to remain efficient, maintain a high quality portfolio of assets, innovate and retain an appropriately skilled workforce could negatively impact delivery of our strategy in a highly competitive market.
- Crisis management and business continuity – failure to address an incident effectively could potentially disrupt our business.
- Insurance – our insurance strategy could expose the group to material uninsured losses.



Group Risk Factors (2 of 2)

Safety and operational risks:

- Process safety, personal safety, and environmental risks – exposure to a wide range of health, safety, security and environmental risks could result in regulatory action, legal liability, business interruption, increased costs, damage to our reputation and potentially denial of our license to operate.
- Drilling and production – challenging operational environments and other uncertainties could impact drilling and production activities.
- Security – hostile acts against our staff and activities could cause harm to people and disrupt our operations.
- Product quality – supplying customers with off-specification products could damage our reputation, lead to regulatory action and legal liability, and impact our financial performance.

Compliance and control risks:

- US government settlements – failure to comply with the terms of our settlement with the US Environmental Protection Agency related to the Gulf of Mexico oil spill may expose us to further penalties or liabilities or could result in suspension or debarment of certain BP entities.
- Regulation – changes in the regulatory and legislative environment could increase the cost of compliance, affect our provisions and limit our access to new growth opportunities.
- Ethical misconduct and non-compliance – ethical misconduct or breaches of applicable laws by our businesses or our employees could be damaging to our reputation, and could result in litigation, regulatory action and penalties.
- Treasury and trading activities – ineffective oversight of treasure and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to our reputation.
- Reporting – failure to accurately report our data could lead to regulatory action, legal liability and reputational damage.

Source: BP Annual Report 2017



Business Priority Issues

FPAC/WPAC

- **Strategic Priority Issues:**

- High Octane Fuel
- WC State Carbon Reduction Programs
- RFS Reform
- LCFS Reform
- WA Carbon Tax

Offshore Forum

- **Work:**

- Trade association issue coordination
- Regulatory engagement coordination
- Oil spill response modeling

- **Support:**

- Capping and Containment
- Sound and marine life
- International Standards
- Technology & Modernization

- **Monitor:**

- BOP (reliability)
- Arctic
- Unconventionals
- Oil spill response
- Dispersants
- Financial responsibility
- Worst credible case discharge
- Helicopter safety
- Decommissioning
- Cybersecurity



Trade Priority Issues

API Mission Critical Issues

- Taxes
- Fuels
- Hydraulic Fracturing
- Energy Infrastructure
- Access and Development
- Climate Change
- Natural Gas Markets
- Air/NAAQS
- Trade / International
- Safety and System Integrity

NAM Policy Priorities

- **Energy & Resources Policy:** EPA Regulations; Ozone; GHG; Energy Supply; Air Quality & Climate Change; Chemical Regulations; Sustainability; Water Quality; Rare Earths; Permitting; Keystone; Endangered Species Act (ESA)
- **Infrastructure, Innovation & Human Resources Policy:** Transportation & Infrastructure; Education & Workforce; Affordable Care Act; Worker Classification; Immigration; Skills Development; Cybersecurity; Privacy & Data Security
- **Labor, Legal & Regulatory Policy:** NLRB; Labor Relations; Safety & Health (OSHA); Legal Reform; Regulatory Reform; Antitrust Issues
- **International Economic Affairs Policy:** Export Controls; TPP; TTIP; Conflict Minerals; Export Finance; International Intellectual Property; Unilateral Sanction
- **Tax & Domestic Economic Policy:** Corporate Tax Reform; Capital Cost Recovery; LIFO; Energy Taxes; R&D; International Taxation; Shareholder Activism

BP America Risk - Reputation: D4/C3

BP Confidential



Risk Description:

BP America's license to operate and its ability to advocate on issues at risk should we fail to continue strengthening BP's reputation while also anticipating and addressing new threats to it. Key stakeholders include the media, key legislators, relevant regulators and other opinion leaders in Washington, D.C., and near our assets.

Such threats to BP's reputation include operational/safety incidents, ethical lapses and compliance issues. Although DWH is increasingly less of a drag on reputation, other litigation issues present risk to our public standing. Overall negative sentiment about the oil and gas industry also threatens to drag down BP's reputation. The policy and politics of climate change is dealt with in the separate risk regarding US Regulatory policies.

Specific issues that could cause damage to BP's reputation in the US, unless they are properly managed, are BP's integration of BHP assets in L48 and BP campaigns against various ballot initiatives in the November 2018 elections.

BP's \$10.5bn acquisition of BHP's unconventional assets in the US increases our risk profile in terms of reputation and financial liability during acquisition completion stage and on an ongoing basis. The reputational risk arises from not fully integrating communications and external affairs for new businesses/acquisitions.

Ballot initiatives in the November 2018 elections at state and local level, in particular in Washington, Colorado, Alaska, are poorly designed and specifically target our industry. These initiatives range from restrictions to infrastructure development, permitting to badly designed carbon pricing. BP's and industry's response to these campaigns may damage our reputation because of our position.

If BP decides to enter ANWR, strong environmental NGO pushback may hurt our ability to work with them on other policies around the country (e.g. crafting carbon price for WA state) and negatively impact our ability to influence and protect our business in other areas in the US.

These risks have the potential to undermine not just our public standing and credibility but also investor confidence in the company. And without a solid reputation, BP also risks any number of initially small issues or incidents ballooning into significant problems that affect the bottom line.

Assessment: **Net Risk: D4 (2017:D4) – Worst Credible risk impact: C3**

Controls in place to reduce the likelihood:

- 1) Integrated U.S.-wide messaging to underscore commitment to safety
- 2) Strong relationships with federal, state and local govs, national and local media, relevant NGOs, trade associations and visible community involvement
- 3) Establish C&EA integration plan for BHP assets acquisition

Contingencies in place to reduce the impact:

- 1) Higher level relationships and partnership with state and local govs / external stakeholders to build increased credibility and trust
- 2) Robust crisis communications training for C&EA staff to effectively engage external stakeholders during operational incidents, as well as media training for incident commanders
- 3) Full integration across U.S. C&EA and Group C&EA to ensure stronger connectivity and alignment

Monitoring actions ongoing:

- 1) Continuous tracking of social and traditional media coverage and polling of key audiences
- 2) Creating new Group-level working group to focus on better managing BP's reputation
- 3) Developing a global corporate narrative
- 4) Exploring the development of a Group-wide paid advertising campaign

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**Risk Description:**

Exposure to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption. This risk manifests itself in the US as sanctions against countries or entities that BP has business relationships with and as unpredictable trade policies with countries or global/regional trade organizations.

Impact on business could be putting investments already made at risk, boosting costs, delaying projects, creating uncertainty about the prospects, increasing financial exposure.

In the worst case scenario this risk could have the following impacts:

A) Sanctions (Likelihood – Medium):

- 1. Russia:
 - a. Stranded investments in Rosneft (BP is 18% shareholder) and unable to tap into dividends;
 - b. JVs in Russia shut down;
 - c. Unable to operate internationally (Shah Deniz, Zohr)
 - d. Unable to renew exemption for Shah Deniz
- 2. Iran:
 - a. Unable to renew exemption license for the Rhum field
 - b. Unable to operate Shah Deniz/Southern Gas Corridor

B) Trade policies (Likelihood – Medium to High):

- 1. Steel Tariffs:
 - a. 25% steel import tariffs with ~\$100m/year impact on BP projects/operations in the US.
 - b. Rejection/delay/reapplication for product-specific exemptions
 - c. Lack of country-specific exemption for Japan (though the US-Japan have agreed to enter into trade agreement discussions and this could be resolved via quota within those negotiations)
- 2. Possible escalation of trade wars between US and China
- 3. NAFTA/USMCA agreement (Low-Medium)
 - a. Congress may reject new USMCA agreement
 - b. US may unilaterally withdraw from NAFTA as negotiating tactic

Risk Assessment: Net Risk: C2 | Worst Credible risk impact: B4

Controls in place to reduce the likelihood:

- Dedicated team in DC linked with legal and political professionals in BP to monitor and assess existing and emerging issues;
- Engagement with Department of State, White House, Commerce Department, Office of the US Trade Representative, Congress;
- Access to consultants with expertise and experience/relationships on specific issues;
- Engagement/influence at trade associations to bolster BP's positions;
- Range of supporting think tanks with influence in policy-making

Contingencies in place to reduce the impact:

- Portfolio assessment and choices;
- C&EA support in exclusion application process

Monitoring actions ongoing:

- Weekly call with LT members in Russia and Azerbaijan;
- Regular calls with the Regional Presidents;
- Regular dialogue with the diplomatic corps
- Regular dialogue with trade associations on trade policy developments and joined-up advocacy

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