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North America Gas & Power

BP America Priorities 2017

Strategic Objectives

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Strategy – managing the long term

Strong & Sustainable Delivery

- Gross Margin delivery of \$1B+ by 2020
- Ave. Op cash flow of ~ \$400m next 5 years
- ROACE ~20.8% (pre-tax)
- ROAWC: ~46%

Operational Excellence:

- Delivery of Transformation Project (Gas & Power)
- Continued focus on Control and Compliance

Continued focus on “One Team”

- Within NAGP: Gas/Power, Producer, SPA, Mexico
- With GOA: SPA, Mexico, Producers, CS, and Global Environmental Products
- With GOE: Global NGLs
- With GTEL: Freeport

Reputation, Compliance, Risk and Security

Strong Reputation & Compliance

- Foster awareness for how NAGP gives back to our communities.
- Be a trusted contributor to our regulatory and policy stakeholders.
- Improve regulatory compliance processes in our jurisdictions.
- Improve our speak-up culture through positive recognition.
- Ensure HSSE capabilities, including facility security, evolve with our business.

People and Organization

- Grow our culture of professional excellence.
- Demonstrate progress toward our diversity aspirations.
- Drive value by collaborating across IST and BP.

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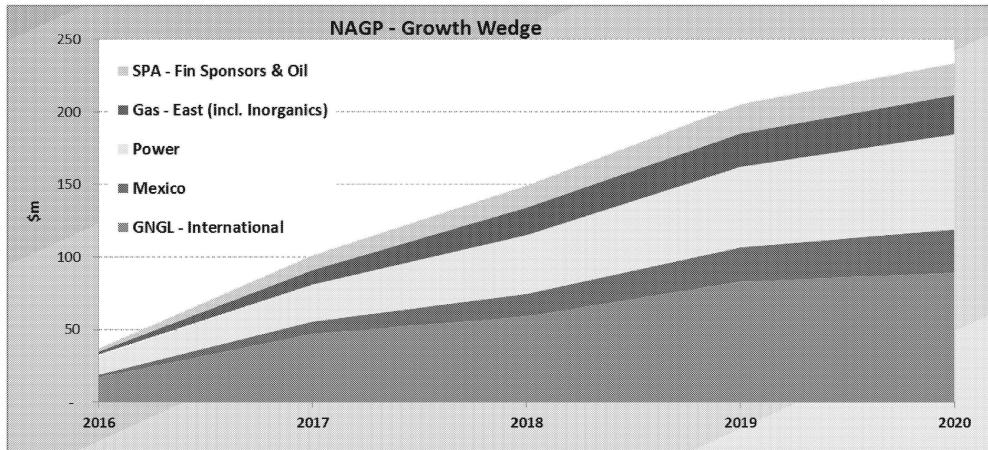
Key people or org/culture objectives for the business

Long-Term Plan

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Gross Margin	Actuals		GFO	5 Year Shape					10 Year Shape				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Gas	1,129	634	486	487	494	506	515	518	530	541	552	565
Power	252	205	143	163	181	199	214	220	225	230	236	242	248
GNGLs	153	66	160	167	187	222	244	250	256	262	269	275	282
SPA	82	104	126	119	130	141	148	152	155	159	163	167	171
ANB	34	31	0	9	12	12	18	18	18	19	19	20	20
BU Adjustments	(314)	(237)	(115)	(145)	(154)	(180)	(204)	(207)	(211)	(215)	(207)	(211)	(235)
Gross Margin (net of BU adj)	1,336	802	800	800	850	900	935	951	974	997	1,033	1,058	1,064
NAGP FCC	(295)	(235)	(228)	(232)	(236)	(239)	(235)	(240)	(246)	(252)	(259)	(265)	(272)
Central Allocation	(31)	(59)	(58)	(60)	(61)	(63)	(64)	(66)	(68)	(69)	(71)	(73)	(75)
Total FCC (NAGP + Allocated)	(327)	(293)	(286)	(291)	(298)	(301)	(300)	(306)	(314)	(322)	(330)	(338)	(346)
Depreciation	(50)	(46)	(45)	(50)	(54)	(52)	(59)	(49)	(52)	(49)	(38)	(38)	(6)
RCOP (underlying)	960	463	469	459	498	546	576	596	609	627	665	682	712
Operating Cash Flow	750	660	349	428	373	548	531	611	569	582	607	622	617
CapEx	(22)	(35)	(63)	(78)	(50)	(35)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
Working Capital	1,678	1,517	1,662	1,722	1,880	1,910	1,993	2,006	2,077	2,149	2,224	2,302	2,383
Avg Capital Employed	1,994	2,048	2,040	2,175	2,311	2,411	2,451	2,500	2,542	2,613	2,687	2,764	2,843
Metrics													
Pre-Tax ROACE (%)	48%	23%	22%	21%	22%	23%	24%	24%	24%	24%	25%	25%	25%
Cost Cover	4.1	2.7	2.8	2.7	2.9	3.0	3.1	3.1	3.1	3.1	3.2	3.2	3.2

Operating Cash: Gross Margin – Fixed Cash Cost – Change in Working Capital



- Global NGLs: Establish presence in Latin America and Far East to create a global web.
- Mexico: Establish a local presence & develop customer trading opportunities across IST commodities.
- Power: Grow customer footprint and products in South, West and East Markets.
- Gas: Capture share of expected demand growth and pursue targeted inorganics to compliment web.
- SPA: Grow Financial Sponsor, and Oil Producer business.

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Fundamentals:

- **Gas demand** anticipated to increase from industrial sector growth , price-induced coal to gas displacements and growing Mexico and LNG exports.
- **Gas supply** growth slows 2015-16, before ramping up to meet demand growth 2017+.
- **NGL supply** growth will be tested as domestic and international markets optimize feedstocks and look to displace fuel oil & coal power generation.
- **Frac Spreads** anticipated to remain narrow in the near term.
- **Power prices** should move higher over time with fuel prices and generation retirements driven by environmental legislations.

Regulatory Environment:

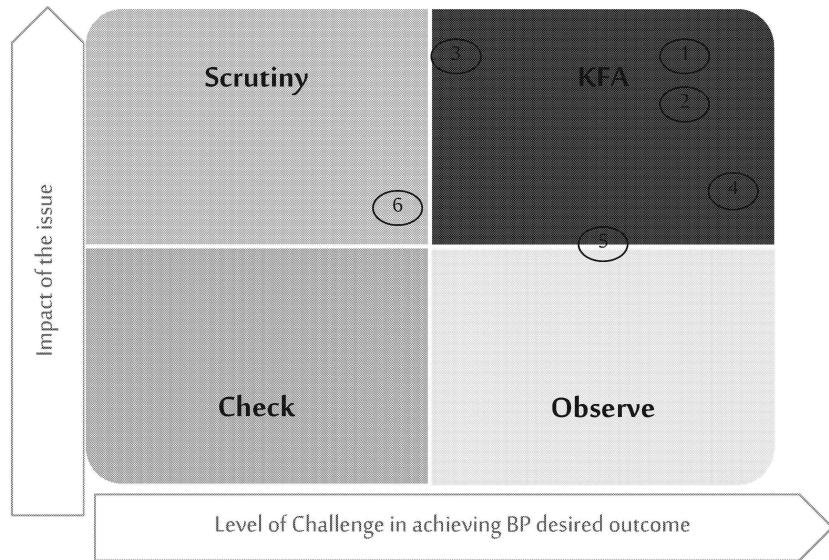
- **Financial Reform** Dodd-Frank/Canadian financial reform/other financial reforms – affecting market liquidity, driving some M&A activity.
- **Mexico Reform** – opening of new opportunities for gas/power/ NGLs/SPA (& Oil) over the next five years.
- **Gas/Power Harmonization** – potential increase in the number and timing of gas nomination cycles.
- **Clean Power Plan** implementation – focus on carbon emissions and trading and limiting GHG, target date of post-2020.

- **NAGP contributions to IST Global Environmental Products (GEP)**
 - IST GEP's strategy is to support the growth of Clean Energy within BP through:
 - Growth: using existing, advantaged commodity value chains in liberalized markets to organically grow clean energy related margins to \$0.5bn+
 - Mitigation: engage regulators to allow investment in lower cost emissions reductions outside the energy sector, such as forestry and refrigerants, to alleviate burden on O&G industry
 - Strategic Partnership: select countries from BP's strategic relationship pool which have emerging clean energy policy and projects, supporting advantaged position both for GEP and wider BP Group
 - NAGP participation at this time primarily limited to biogas (e.g. landfill methane, etc.) and the RINs that result.
- **Carbon regulation impact analysis**
 - Margin opportunities may emerge through generation and trading of emissions offsets and other compliance vehicles.
 - Underlying programs creating these opportunities are being challenged by the FNA business (and Industry) and may substantially change (LCFS, AB 32, RFS, CPP).
 - Impacts are too speculative to include at this time.

This slide will include analysis from the climate change working group (coordinated by Jim Nolan) specific to the business, covering regulatory or potential carbon tax impact on the business.

Key Focus Areas

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1 Dodd-Frank/other energy commodity reforms affecting market liquidity.

2 States' Clean Power Plan (CPP) implementation – preserving/growing gas demand, carbon allowance trading potential, target date of post-2020.

3 Relationship development.

4 Natural gas index formation challenges.

Other Current Focus Areas

5 State regulatory support for utility hedging.

6 Regulatory reporting burdens.

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The purpose of this slide is to conduct strategic assessment of the issues identified in slides 4-5 and prioritize based on impact of the issue on business and how challenging it will be for BP to achieve our preferred outcome. Anything that is high impact and will require significant effort from BP will end up in the top right quartile (KFA – Key Focus Area).

'Scrutiny' issues are those that require monitoring to make sure the desired outcome is on track.

'Monitor'/'Observe' issues require to confirm that they remain non-material.

In assessing impact on the business and how much effort will be required please use the collective judgment of the cross-functional team in the business. Impact could be direct/indirect financial, reputational, strategic/commercial, control or compliance. In assessing the impact, please indicate estimated net financial impact (in the notes) on BP if it is feasible to do so.

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- Suzanne Swink, federal lead
- Brett Clanton, PO lead
- Paul Gannon, IC lead
- Jim Nolan, Upstream regulatory lead
- Lance Williams, IST regulatory liaison
- Kathleen Magruder (NAGP), state regulatory lead

Budget

SPA - Mark Stultz