



Thank you for the opportunity to discuss BP's perspective on how our industry must evolve to stay relevant in a rapidly shifting environment.

We must lead on climate-related issues—or others will choose our path for us with an aim of putting us out of business and compromising consumer and national security.

The business case for climate action: the dual challenge



- The political and social landscapes are changing
- Public and shareholder sentiment is shifting toward action on climate
- Activists are more influential than ever before
- Companies are being called upon to act—through voluntary efforts and support for policy—or we risk losing our license to operate
- Our products play an essential role in society and the economy
- The world demands more energy, delivered in new ways, with fewer emissions. This is the dual challenge we all face

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In the past we've relied on political stability to protect our interests. That is no longer an option. Polling shows younger Republican voters are increasingly concerned about the issue and some Republican lawmakers are beginning to respond, for example via the Climate Leadership Council's fee and dividend plan. And the environmental movement will not rest if the Republicans retain the White House. We think it will only become more vocal and more adamant about eliminating fossil fuels from the energy mix and state and local efforts will multiply.

We've also seen a big shift in sentiment from shareholders. We've long been in dialog with shareholders on climate, but we are seeing greater consensus on the need to demonstrate BP's support for Paris. We are under increasing pressure to make sure our public stance on issues is not compromised by how our trade associations advocate on our behalf. We are all being asked to demonstrate that we are working to influence the trades so our positions are understood.

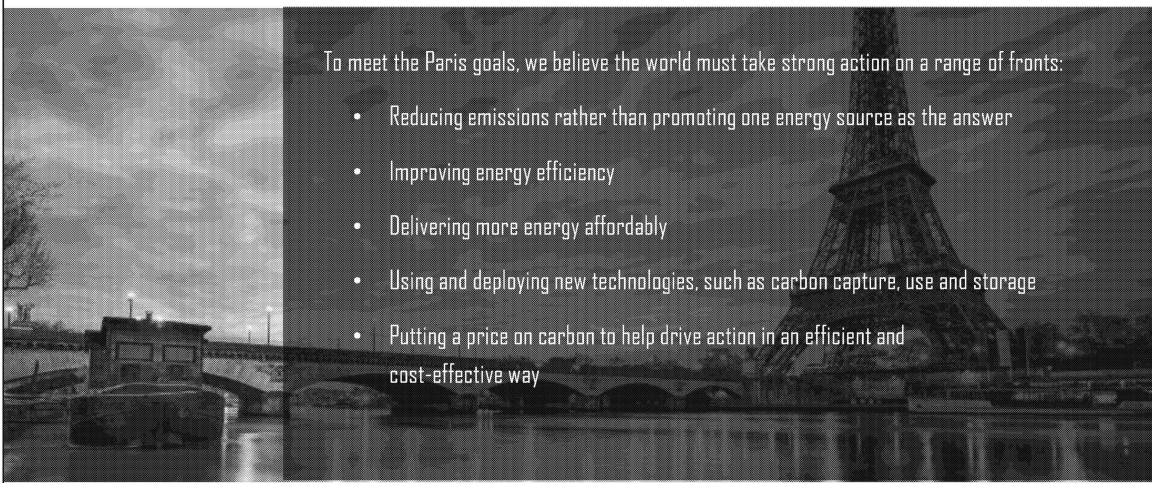
Activists have greater influence than ever before. We have seen that influence in protests at our offices, investors at our annual general meetings and the movement to divest from oil and gas companies. Europe has been on the leading edge of this, but in a global economy no one is immune. Governments and the public increasingly believe this is a real issue we must deal with.

In 2019, BP's board and shareholders overwhelmingly supported a resolution requiring further disclosures to explain why we believe our strategy is consistent with the Paris Agreement goals. Separately, we are also being asked how our views align with our trade organizations, with an expectation to report back in 2020.

We need to improve our industry and the perception of it by talking about the essential role our products play in society and the economy—and make sure they play that role sustainably. We must remind stakeholders of how well we innovate and anticipate changing consumer needs, technology, and regulations. Our industry is among the best positioned to make the transition happen.

We believe a fast-paced transition is best—a slow or delayed transition runs the risk of being costly and disruptive. There is urgency because this is a cumulative problem. Today, there are large, cost-effective levers available to society to mitigate emissions. The longer we wait to start, the more we risk a costly and disruptive transition that will disproportionately harm the downstream.

A shared challenge



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
- Improving energy efficiency
- Delivering more energy affordably
- Using and deploying new technologies, such as carbon capture, use and storage
- Putting a price on carbon to help drive action in an efficient and cost-effective way

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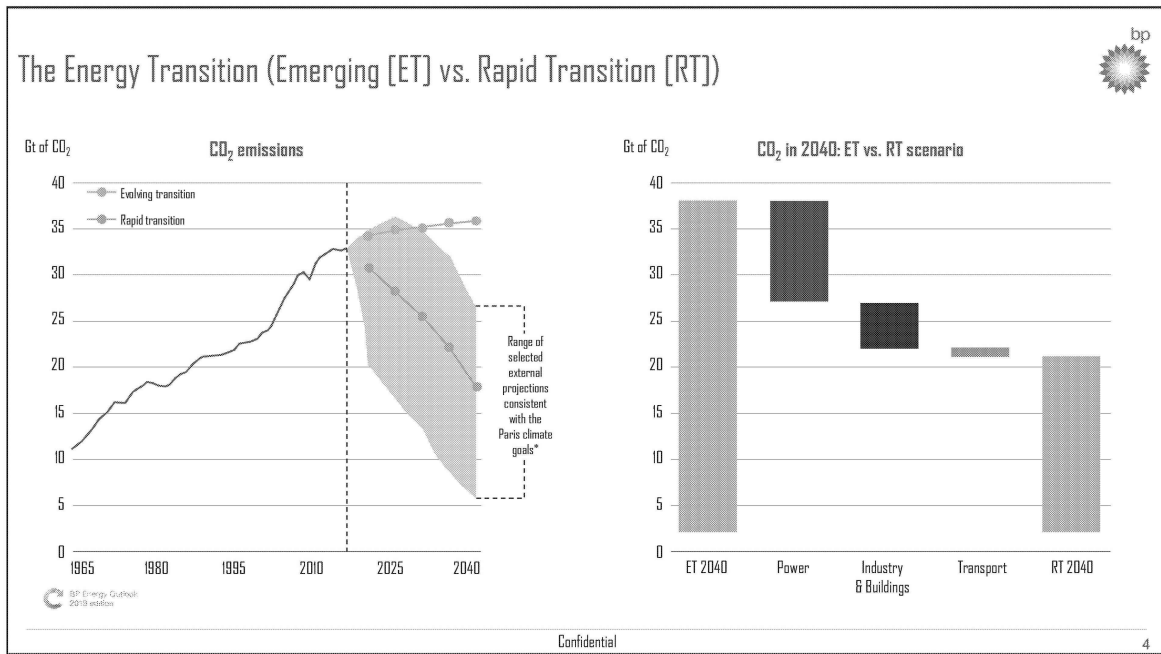
As the world demands more energy to support sustainable development and eradicate poverty it also demands energy delivered in new ways, with fewer emissions. For the energy sector, this dual challenge is the defining issue of our times.

At BP, we recognize the importance of the climate challenge and support the Paris goals. We believe the world is not on a sustainable path and have been calling for action for over 20 years. We want to contribute to the dual challenge of meeting society's need for more energy while reducing carbon emissions.

BP is looking to a low carbon future, building on activity over many years – from championing emissions trading programs to launching our alternative energy business.

We're not saying that we should support anything with "climate" in the title or headline. Rather, BP believes that we—and the entire industry—can further our business interests by actively engaging the policy-making process to shape the way an inevitable outcome that is delivered.

Hope is not a strategy. AFPM must engage from the business perspective, wholly apart from any views on climate science and policy. We have a lot more to offer and we need to be the leaders in delivering the dual challenge and demonstrate our leadership to our stakeholders. We are an industry for the future, not the past.



Our annual Energy Outlook helps inform our broader corporate strategy. This year, we looked at two main scenarios—the “Emerging Transition,” which roughly reflects the current trends is not consistent with Paris ambitions, and the “Rapid Transition,” which is consistent with the Paris ambitions.

The energy transition will not be easy, but the world has changed and so must our industry or we risk being left in the dustbin of history. The political and legislative environments will never go back to the way they have been in the past.

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A transition consistent with the Paris goals would be a significant challenge for society and in particular for oil and gas supermajors. But however challenging a fast-paced transition might be, we believe it is the best option for BP, our shareholders and society. Our most recent Energy Outlook shows the difference between an evolving transition and a rapid one.

The alternative ‘Rapid transition’ (RT) scenario combines all the policy measures in the lower-carbon scenarios for industry and buildings; transport and the power sector in one single scenario.

In the RT scenario, CO₂ emissions fall by around 45% by 2040 relative to current levels. The scale of this reduction is broadly in the middle of a range of external projections which claim to be consistent with meeting the Paris climate goals, and is broadly similar to the reduction in carbon emissions in the IEA’s Sustainable Development Scenario.

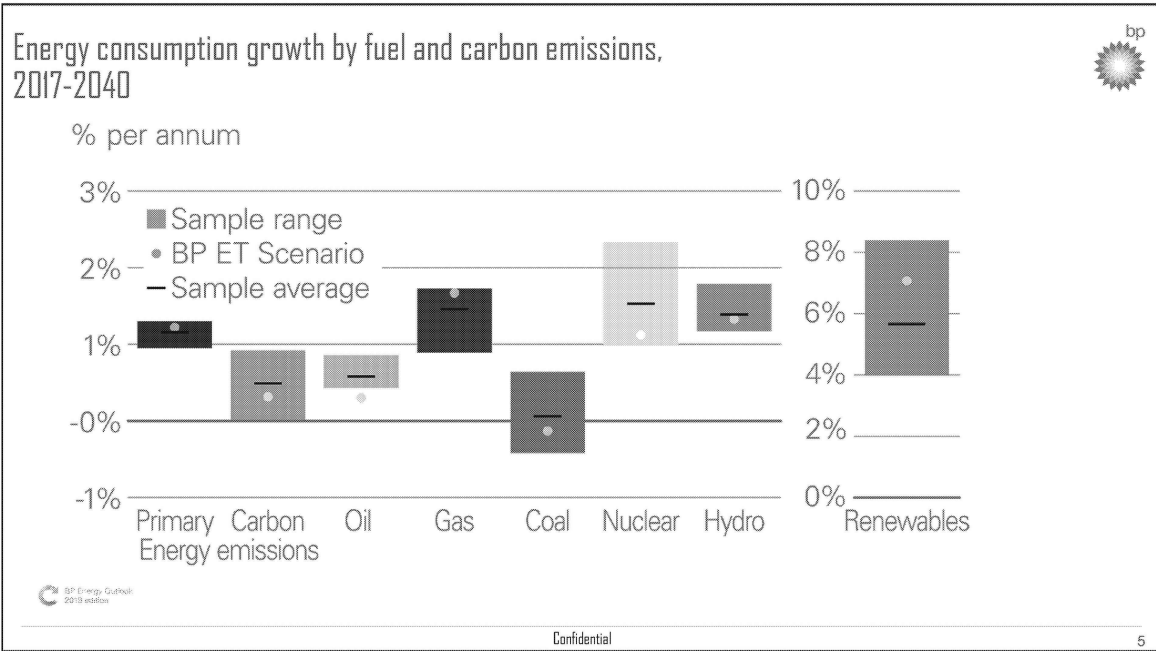
The power sector accounts for most of the CO₂ emissions savings

Around two-thirds of the reductions in CO₂ relative to the ET scenario stem from the substantial decarbonization of the power sector. The power sector is the single largest source of CO₂ emissions from energy use, and the extensive fuel-on-fuel competition means policy interventions can have significant impacts on the fuel mix. The reduction in CO₂ from industry and buildings accounts for much of the remaining reduction in emissions, reflecting improved efficiency, greater use of CCUS and switching into lower-carbon fuels.

Despite the large number of policy measures and initiatives applied in the transport sector, the reduction in CO₂ is relatively small.

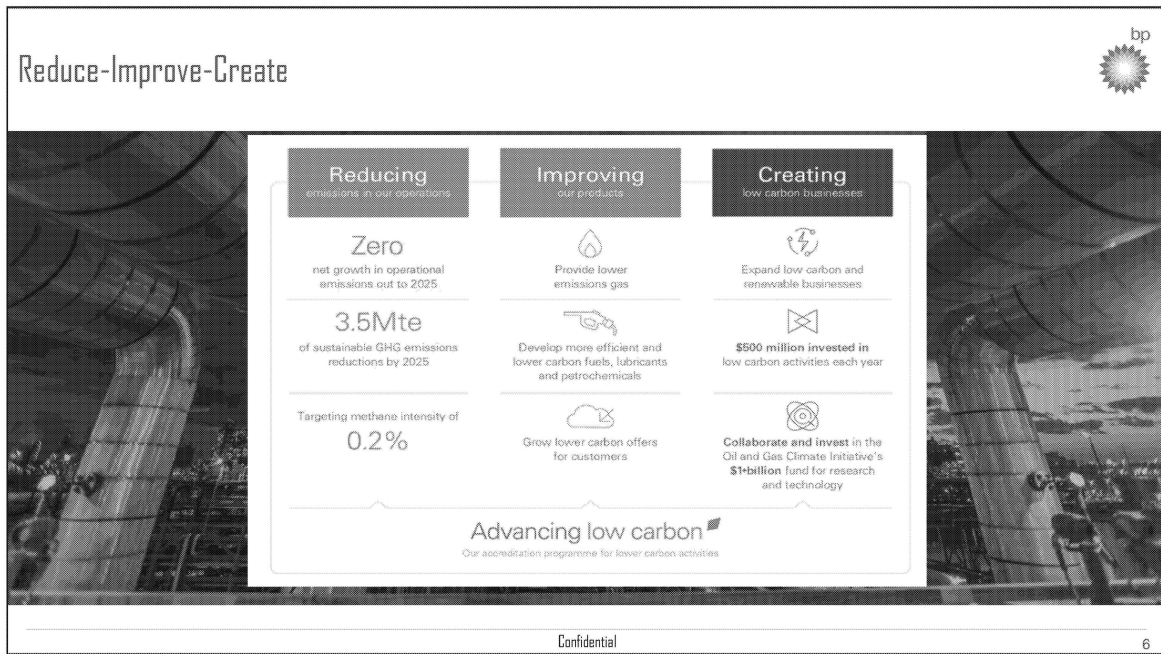
The reduction in emissions in the Rapid transition scenario stems from greater efficiency, fuel switching and use of CCUS

The fall in carbon emissions in the RT scenario relative to 2017 levels reflects a combination of: gains in energy efficiency; a switch to lower-carbon fuels; and greater use of CCUS.



There is a relatively narrow range of views about the growth of overall energy – varying between 0.9% and 1.3% p.a.. The ET scenario (1.2% p.a.) is just a touch above the sample average.

The growth of oil demand in the ET scenario (0.3% p.a.) is lower than any of the external forecasts, perhaps reflecting the extent of vehicle efficiency gains in the ET scenario. In contrast, the ET scenario points to slightly stronger growth of natural gas than the sample average.



Overall, we allocate at least \$500 million a year specifically to low-carbon activities—this year it's likely to be in the region of \$750 million, based on current forecasts. Increasingly, we're seeing opportunities that are good environmentally and financially.

In the early 2000s we invested \$8 billion in renewables and have roughly a quarter of that value left today.

Downstream has an important part to play in delivering BP's commitment to advancing the energy transition. We must keep advancing what we offer to keep the world moving towards a lower carbon future to meet our customers' needs and strengthen our business for the future.

To help discuss our lower carbon strategy, we apply a Reduce-Improve-Create framework, or "RIC." We have set targets and aims to reduce emissions in our operations, improve our products to help our customers reduce their emissions, and create low carbon businesses:

Seven workstreams lead the business in delivering the RIC framework across Downstream. These workstreams are leading the activity areas that will become increasingly embedded into the core business as part of our transformation strategy. The businesses and functions are already growing their involvement as we move from strategy to execution.

We are reducing GHG emissions in our manufacturing businesses through more energy efficient operations to deliver the following two ambitions:

Deliver 3.5Mte in carbon reductions (Sustainable Emissions Reductions)

Keep net operational emissions flat out to 2025 (Zero Net Growth)

We are improving the GHG footprint of BP's products and offers, including fuels, lubricants and petrochemicals.

Advanced fuels

We are developing and deploying advanced fuels that contain BP's ACTIVE technology formula designed to improve engine efficiency. This helps reduce fuel consumption, which, in turn helps to lower carbon emissions.

Lowering GHG intensity

We are growing the number of lower carbon engine oils and lubricants in our portfolio.

Providing offsets as a service

BP Target Neutral has helped customers and partners offset greenhouse gas emissions for 12 years. For example, our Franchise Workshops help car dealers calculate their carbon footprint, reduce it, and offset remaining emissions.

Lower carbon chemicals

Our first lower carbon petrochemicals brand, PTAir, uses proprietary technology to deliver a 29% lower global warming potential than average conventional European PTA. We combined these benefits with Target Neutral offsets to create PTAir Neutral: offering our customers a carbon neutral feedstock.

We are creating brand new low carbon businesses to position ourselves for future growth.

Advanced Mobility

Acquired Chargemaster, positioning BP as the UK's largest electric vehicle charging network provider, with 6500+ charging points across the UK.

Advanced Bio

Invested in Fulcrum to produce renewable biojet fuel from household waste at a lower cost than conventional jet fuel.

Renewable gas from food and agricultural waste

Our biogas joint venture in the US turns raw gas from nearby landfill sites into biomethane, which is used as a fossil fuel substitute.

Carbon Capture Utilization and Storage

Assessing all downstream CO2 sources for capture, use and storage potential.

BP Beta

Exploring how to create a testbed to pilot our lower carbon products and services as part of a sustainable retail experience.

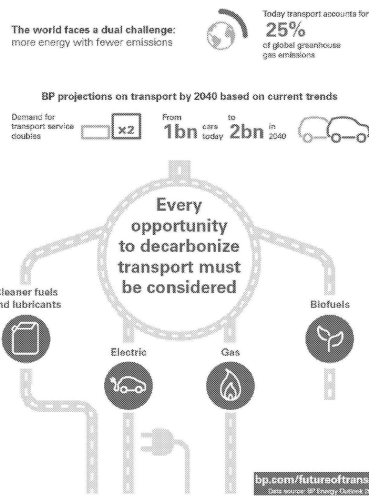
IF ASKED:

Question: Are you saying we should be accountable for our customers' emissions?

Answer: We should work with our customers to help them reduce their emissions by making our products lower in carbon and offering lower carbon alternatives. But we can't control how our products are used. People use energy in different ways – four people sharing a ride in a hybrid is different to one person behind the wheel of an SUV. That's a very different carbon footprint associated with the same gallon of our fuel.

We also believe we should offer the consumer the choice of a lower carbon product. If we don't consumers and regulators will ultimately find the alternatives to our products.

The dual challenge in transport



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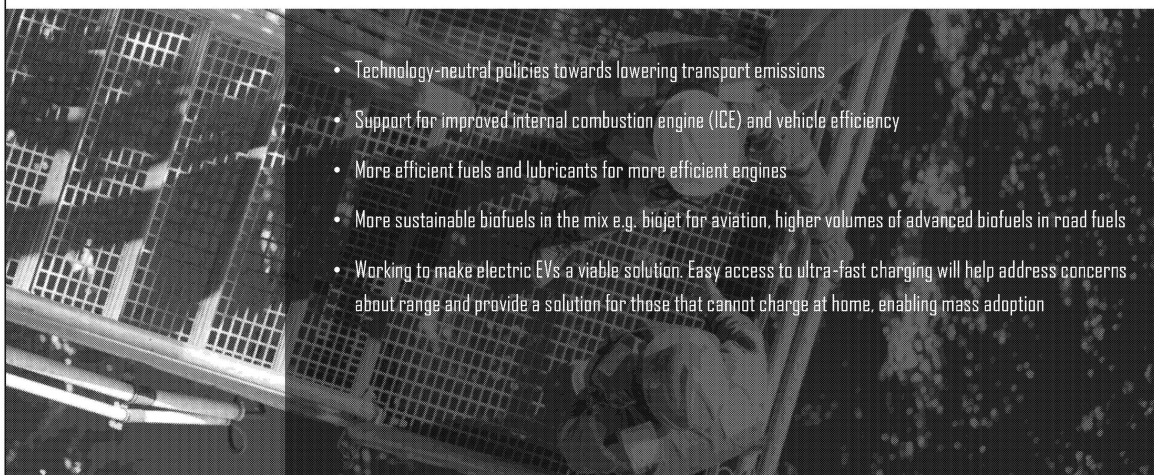
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We’re reducing greenhouse gas emissions from our operations, which includes both methane and carbon dioxide. For example, BP has achieved 2.5 million tons of sustainable greenhouse gas emissions reductions since 2016 across our operations.

We’re improving our products to help our customers lower their carbon footprint. For example, our petrochemicals business has developed an industry-leading product, PTAir, which is a chemical feedstock for polyester that reduced carbon footprint 30% and PTAir Neutral—a carbon neutral chemical feedstock.

And we’re creating new low-carbon businesses while expanding existing ones. Recent examples include Lightsource BP, which focusses on solar, and BP’s purchase of Chargemaster, the largest electric vehicle charging company in the UK.

Downstream faces its own particular challenges. This graphic shows our projections for transport by 2040 and how we think we can decarbonize the sector.



- Technology-neutral policies towards lowering transport emissions
- Support for improved internal combustion engine (ICE) and vehicle efficiency
- More efficient fuels and lubricants for more efficient engines
- More sustainable biofuels in the mix e.g. biojet for aviation, higher volumes of advanced biofuels in road fuels
- Working to make electric EVs a viable solution. Easy access to ultra-fast charging will help address concerns about range and provide a solution for those that cannot charge at home, enabling mass adoption

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We don't think a single solution will decarbonize the economy far or fast enough, including for transport. This is because there are some market failures that a carbon price alone can't deal with effectively.

These include funding for research and development, policies to support innovation and early deployment of emerging low carbon technologies and fuels, and measures to improve efficiency. So, at BP we advocate for:

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More efficient fuels and lubricants for more efficient engines

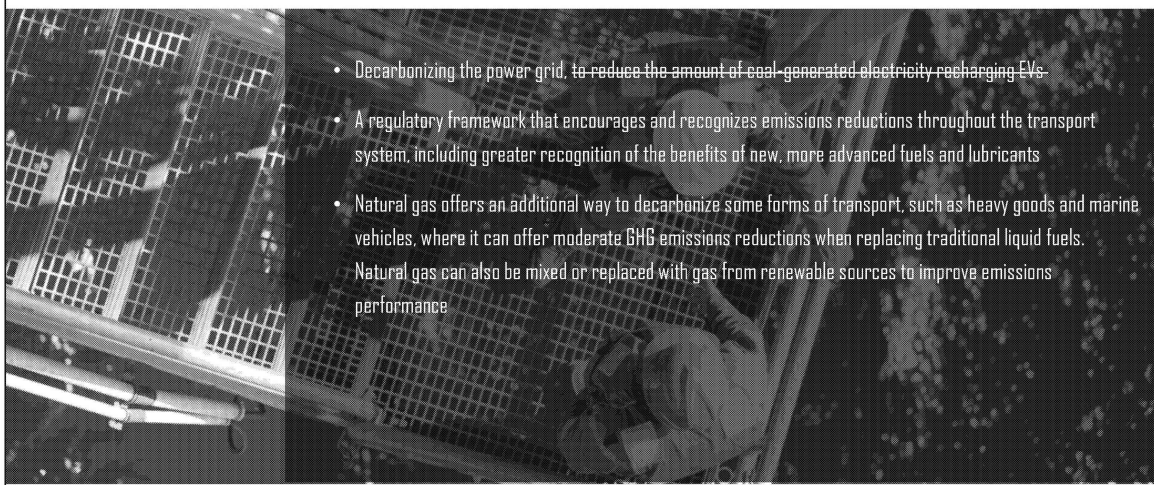
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Working to make electric vehicles (EVs) a viable solution. Easy access to ultra-fast charging will help address concerns about range and provide a solution for those that cannot charge at home, enabling mass adoption.

Decarbonizing the power grid, to reduce the amount of coal-generated electricity recharging EVs

A regulatory framework that encourages and recognizes emissions reductions throughout the transport system, including greater recognition of the benefits of new, more advanced fuels and lubricants.

Natural gas for transport offers an additional way to decarbonize some forms of transport, such as heavy goods and marine vehicles, where it can offer moderate GHG emissions reductions when replacing traditional liquid fuels. Natural gas can also be mixed or replaced with gas from renewable sources to improve emissions performance .



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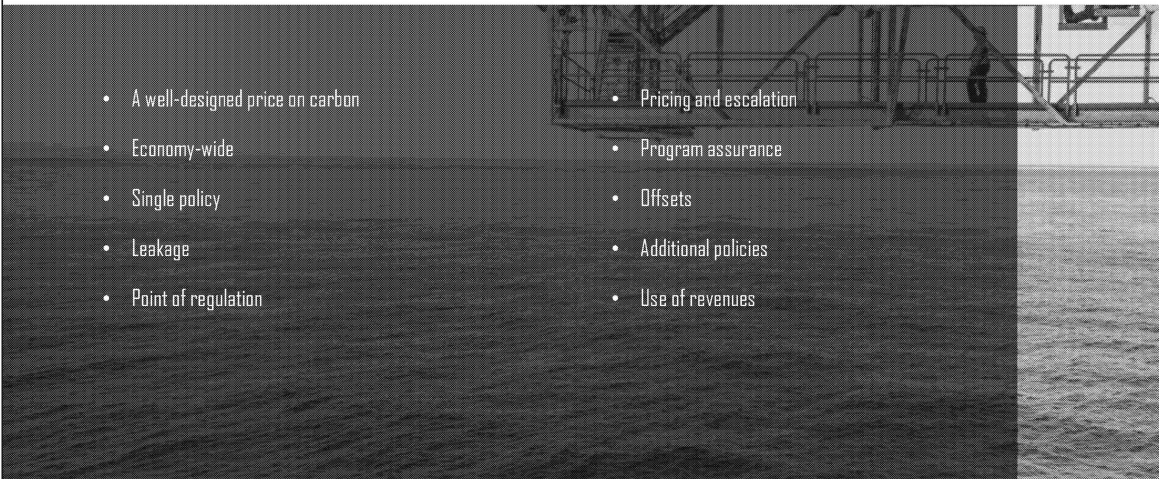
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BP's carbon pricing principles


- A well-designed price on carbon
- Economy-wide
- Single policy
- Leakage
- Point of regulation

- Pricing and escalation
- Program assurance
- Offsets
- Additional policies
- Use of revenues



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In addition to addressing the dual challenge by improving our products and operations, we advocate strongly for a price on carbon. Carbon pricing that is well-designed is the most fair, efficient and powerful tool available for driving the energy transition.

In BP's view, well-designed carbon pricing has two particularly important principles:

All businesses across all sectors play by the same rules

Emissions are not pushed across borders into countries or economies that aren't pricing carbon.

We believe a carbon tax is the best mechanism, but a carbon fee can also work. LCFS targets our industry and is unlikely to be the most cost effective way to reduce carbon emissions and negatively affect our consumers.

We are active in several organizations promoting carbon pricing. For example, in the US, we work with the CLC on bipartisan effort to introduce fee and dividend legislation later this year. Their approach has been endorsed by over 3,500 economists, all 4 former chairs of the Fed and 15 former chairs of the Council of Economic Advisors.

One of the key pillars of the CLC plan is to replace or streamline regulations that are no longer necessary and would undermine the effectiveness of the carbon price if they stayed in place.

Even carbon pricing, as well as regulation more generally, can be counter-productive and even damaging if poorly designed. For example, without a way of leveling the playing field, energy intensive domestic industries that compete internationally may be forced overseas, taking jobs—and their emissions—with them. That's bad for the economy and the environment.

Redacted - First Amendment

we took some flack for our stance there, but what many of our critics didn't appreciate was that before that poorly-designed carbon tax proposal came forward, we'd already been working with local legislators on good carbon pricing legislation—and we still are.

We learned that we must be out front on these issues and be vocal in support of good policy so our objections to bad policy are seen as credible feedback.

That same principle applies to our work on methane regulations. In the US we support direct federal regulation of methane emissions from new and existing sources and make no apologies for offering what we believe are constructive comments to

improve regulatory proposals to make them more effective and ultimately durable.

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Where do we go from here?



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Our industry knows how to innovate.

We need to get our message out -- advances in cleaner and alternative liquid fuels and engine efficiency need to be a part of the discussion.

We support current CAFE standards; our industry should not promote messages or policies that counter increased efficiency. We can disagree on issues (there doesn't have to be complete alignment) but we have to be able to agree on some high-level principles that don't force members to publicly correct the trades or advocate in conflict with certain positions taken by the trades.

That's why it's important to BP that we have this conversation and it results in principles we can live with and advocate for, because we feel strongly that we need to be part of groups like AFPM.

Given the importance of this issue to our industry and the threat a lack of engagement poses, BP recommends the Executive Committee decide how AFPM will address the climate issue. BP is willing to work with others to provide a draft statement on climate and a work group terms of reference for this group to consider at its next quarterly meeting.

The Executive Committee's work should be complete by the 4Q meeting.

Prepare a revision to the existing AFPM climate principles, and consider whether to:

accept that the climate is warming and that human activity is contributing to that warming

accept that the downstream sector needs to act to reduce its GHG emissions

accept that voluntary action alone will not suffice – governments need to act

accept that federal action is preferable to local, state or regional action, all other things being equal

support well-designed carbon pricing legislation