



BP  
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# Geopolitical risk

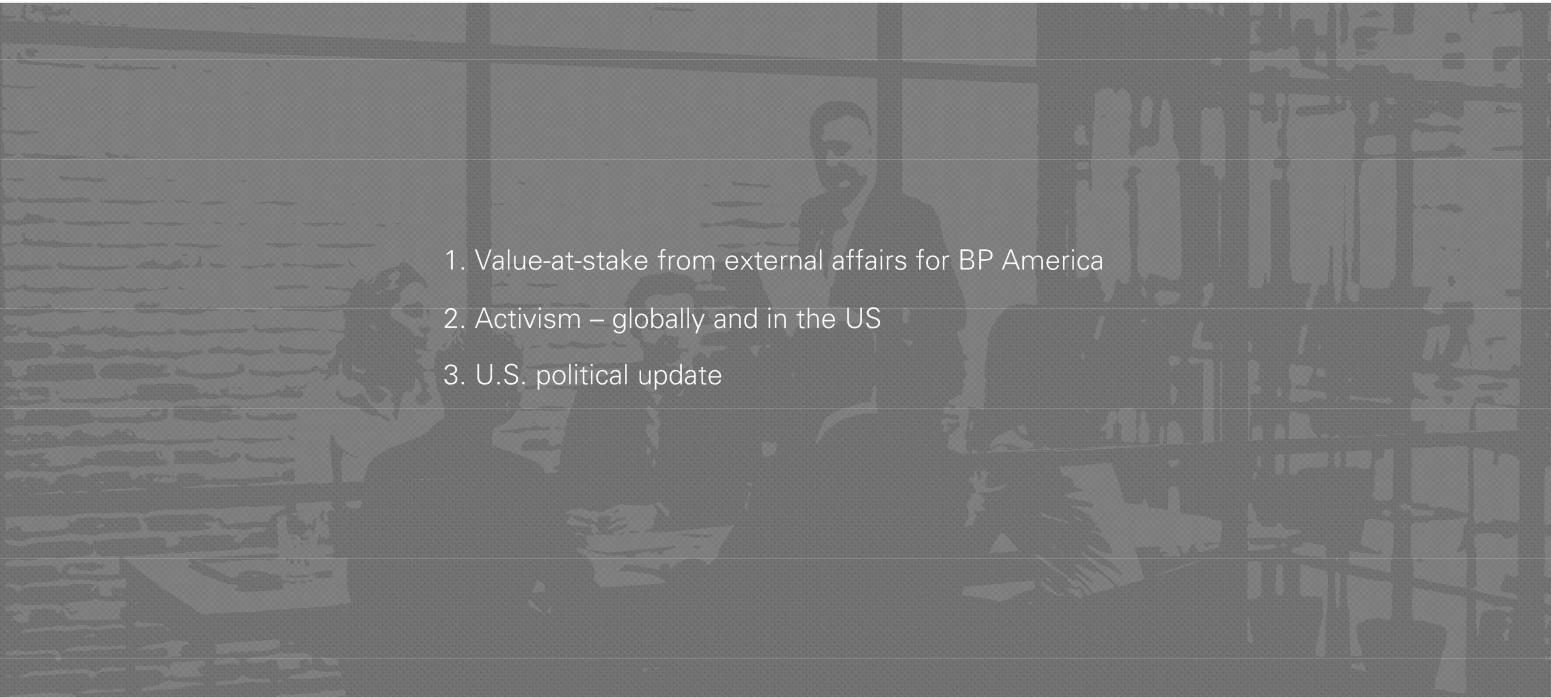
Mary Streett

BP America Board of Directors Meeting | 12 December 2019

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## Agenda

A grayscale photograph showing a group of people in a conference room setting. Some individuals are seated at a long table, while others are standing or walking in the background. The room has large windows and a modern interior.

1. Value-at-stake from external affairs for BP America
2. Activism – globally and in the US
3. U.S. political update

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## Value at Stake context and today's discussion

### CONTEXT

In 1H 2019, C&EA worked with all US businesses to implement the Value at Stake project run by Group C&EA

You supported the roll-out and helped us to:

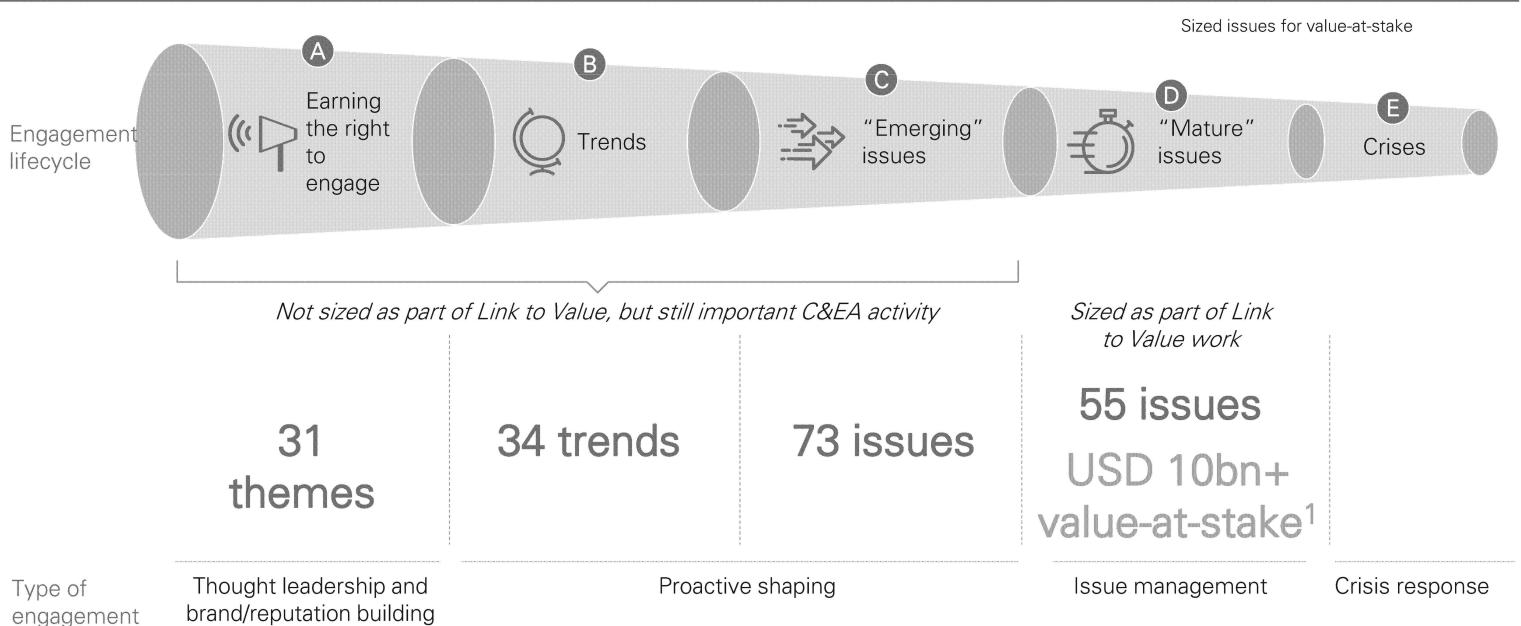
- Better link C&EA activity to the commercial value protected/created
- Better prioritize scarce C&EA resource
- Take a more proactive posture to external engagement – not just reacting to the “need of the hour”

### » TODAY'S DISCUSSION

Review outputs from the BP America roll-out:

- Engagement themes across BP America
- Highest-value risks and opportunities
- Full value map across BP America businesses

## BP America is managing USD 10bn+ of value-at-stake from “mature” issues



<sup>1</sup> Actual or implied 3-year cash value; does not include major non-sized issues (e.g., Louisiana land loss, Montana remediation, Iran sanctions)

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VALUE-AT-STAKE FROM EXTERNAL AFFAIRS FOR BP AMERICA

## Eight engagement themes stand out for BP America



| Engagement themes                | Description   | C "Emerging" issues (sample)   | D "Mature" issues (sample)   | Value-at-stake from "mature" issues <sup>1</sup> , USD mn |
|----------------------------------|---|--|--|---|
| 1 US sanctions                   |   | Venezuela sanctions<br>Russia sanctions<br>NOPEC legislation   | Iran sanctions   | Not sized   |
| 2 Montana remediation engagement | <b>Redacted - First Amendment</b>   |  | • MT purple risk<br>• MT Christian litigation<br>• MT – Great Falls, Butte, Anaconda   | ~375  |
| 3 Offshore regulatory certainty  | Significant and costly regulatory changes on which there is little clarity – largely impacting GoM  | • Offshore decommissioning requirements (incl. "Idle Iron" policy)<br>• BOEM NAAQS<br>• E&P exempt waste   | • DOI BOEM Financial Assurance<br>• Louisiana land loss<br>• Certainly about Jones Act<br>• SOO and SOP application process<br>• Offshore visibility modelling protocol          | ~2,100  |
| 4 Infrastructure                 | Investment, permitting, and public support for operational infrastructure, esp. pipelines and general infrastructure to support BP operations | • New FERC pipeline certificate process<br>• Clean Water Act in pipeline approval                          | • Canada production curtailment<br>• Permian basin infrastructure<br>• Pipelines<br>• Bakken crude trains  | ~2,000  |
| 5 Future of Alaska               | Strategic decision around future of BP's Alaska business and corresponding external engagement  | • ANWR strategic decision<br>• Alaska carbon pricing   | • AKLNG alignment<br>• State budget deficit<br>• AK "Open for Business"  | ~1,800  |
| 6 Climate policy and renewables  | Carbon and climate policies impacting BP's business primarily in downstream and trading   | • Renewables Portfolio Standards<br>• NY state climate policy<br>• USEPA/DOJ consent decrees at refineries | • West Coast carbon program<br>• Cherry Point & Whatcom County<br>• RFS reform & E15 mandate<br>• RFS reform impact on RIN trading<br>• Carbon capture<br>• Biofuels tax credit  | ~600  |
| 7 Role of gas/ "gas is good"     | Efforts to advantage other fuels over gas, and threats to BP's "gas is good" message  | • PURPA reform<br>• State nuclear subsidies in PA  | • DOE coal/nuclear solutions<br>• FERC grid resilience docket<br>• Direct regulations on methane<br>• State-wide methane rule in New Mexico<br>• De-facto moratorium in Colorado | ~505  |
| 8 Trade wars and protectionism   | Threats to BP's operations and role as an exporter/importer due to tariffs, curtailments and other protectionist policies                     |  | • US-China trade relationship<br>• Steel imports tariffs<br>• NAFTA/USMCA & Canada   | ~250  |

<sup>1</sup> Actual or implied 3-year cash value  
Source: C&EA Link to Value team analysis

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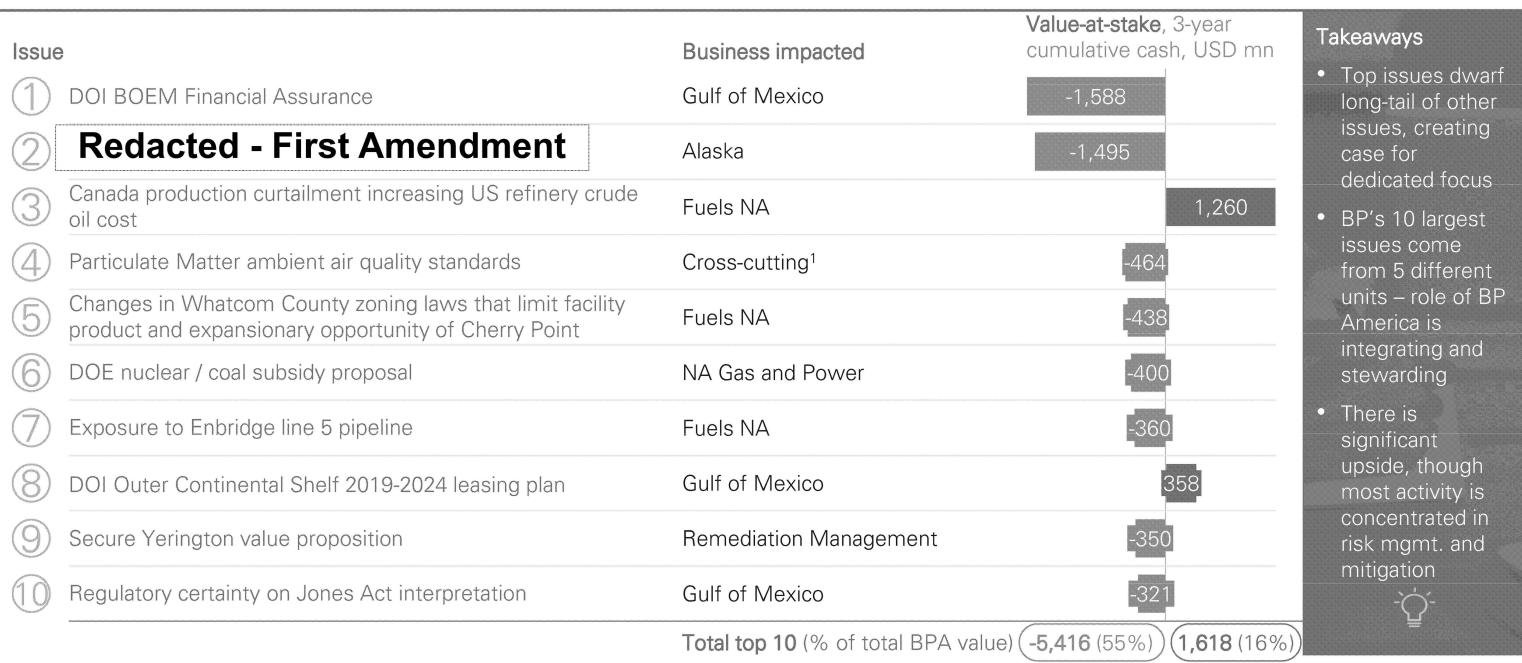
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## Top 10 (out of 56) BP America “mature” issues account for 70% of value-at-stake



■ Risk ■ Opportunity



Only clearly defined, quantifiable issues (= “mature”) show up – there may be more impactful emerging issues, which cannot yet be clearly quantified. Furthermore, Louisiana land loss, Iran sanctions, and RM purple risks in Montana have not been sized

<sup>1</sup> Sized for Fuels NA impact – likely additional downside impact on other emitting BP businesses

Source: C&EA Link to Value team analysis

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## USD 10bn in value-at-stake from BP America “mature” issues – concentrated in environmental & non-environmental regulation, Fuels North America, and GoM



USD mn absolute (i.e., risk and opportunity) value-at-stake (3-year cumulative cash value)

Small VaS

Large VaS

| Outcome  | Business     |                |              |                        |                     |                |                 |           |              |          | Total      |               |
|--|--------------|----------------|--------------|------------------------|---------------------|----------------|-----------------|-----------|--------------|----------|------------|---------------|
|  | Fuels NA     | Gulf of Mexico | Alaska       | Remediation Management | Cross-cutting Power | NA Gas and GOA | Petro-chemicals | Shipping  | Wind/AE      | BPX      |            |               |
| Access   | 1,698        | 358            | 1,495        | -                      | -                   | -              | -               | -         | -            | 9        | 3,564      |               |
| Security and stability                               | -            | -              | -            | -                      | -                   | -              | -               | -         | -            | -        | -          |               |
| Supportive society                                   | -            | -              | -            | -                      | -                   | -              | -               | -         | -            | -        | -          |               |
| Advantageous fiscal regime                           | -            | 219            | 328          | -                      | -                   | 400            | -               | 64        | -            | 60       | 1,071      |               |
| Favourable non-environmental regulation              | 851          | 1,967          | -            | -                      | 69                  | 123            | 200             | -         | <1           | -        | 3,228      |               |
| Favourable environmental & climate change regulation | 335          | 130            | -            | 1,000                  | 492                 | -              | 132             | -         | -            | -        | 2,144      |               |
| End-market development                               | -            | -              | -            | -                      | -                   | -              | -               | 2         | -            | -        | 2          |               |
| <b>Total</b>   | <b>2,885</b> | <b>2,675</b>   | <b>1,823</b> | <b>1,000</b>           | <b>561</b>          | <b>523</b>     | <b>332</b>      | <b>69</b> | <b>&lt;1</b> | <b>-</b> | <b>141</b> | <b>10,009</b> |

1 Difference of USD 15mn vs. summary RCOP view explained by USD 15mn RCOP for AirBP US, not included in this view. RCOP figures do not include IST businesses

Source: BP America central planning team Refining and Marketing US (February 2019); Upstream 2016-2018 actuals per GPF; 2019+ per 1QPF (main plan); O&G global business and functions GFOZ submission with 2019-20 US share based on 2018 actuals and 2021 estimate based on June 2018 submission; BP Shipping US Finance team

2018 RCOP, USD mn

5,658<sup>1</sup>

3-yr forecast RCOP, USD mn

19,923

VaS share of 3-yr forecast

50%

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## Increasing Activism



### Top 10 Dutch investors

✓ for  
 ○ abstain  
 — not voted  
 ✗ against  
 — no shares

| Investor                 | Total Assets  | Shell |      |      | Equinor | BP |
|--------------------------|---------------|-------|------|------|---------|----|
|                          |               | 2017  | 2018 | 2019 |         |    |
| EGON                     | € 804 billion | ○     | ✓    | ✓    | ✓       |    |
| apg                      | € 459 billion | ✗     | ○    | ✗    | ✗       |    |
| Ni Investment Management | € 224 billion | ○     | ✓    | ✓    | ✓       |    |
| PGGM                     | € 211 billion | ○     | ○    | —    | ○       |    |
| ROBECO                   | € 167 billion | ✗     | ○    | —    | ○       |    |
| UPME PMT MN              | € 130 billion | ✓     | ✓    | ✓    | ✓       |    |
| achmea IM                | € 120 billion | ✗     | ○    | ✓    | ✓       |    |
| VAN LANSCHOT KEMPE       | € 67 billion  | ✓     | ✓    | ✓    | ✓       |    |
| acham                    | € 66 billion  | ✓     | ✓    | ✓    | ✓       |    |
| Blue Sky Group           | € 22 billion  | ✓     | ✓    | ✓    |         |    |



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## US Political and Advocacy Update

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- 1) TRADE ASSOCIATION/LOBBY SPEND REVIEW – UPDATE
- 2) 2020 – POLICY ALIGNMENT WITH GROUP
- 3) 2020 – US POLITICAL UPDATE