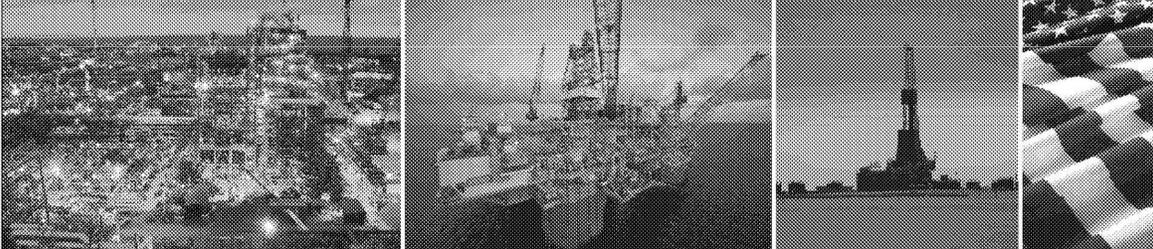
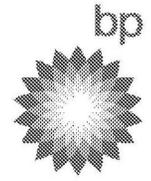
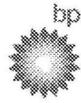


The Oil & Gas Industry —



COVER NOTE \_\_



※ The objective of today's presentation is to provide the following:

... High level overview of the Global and US Economics

The Near and Medium Term outlook for Oil, Gas and Refining Markets

... A perspective on operating in the new US Political Environment

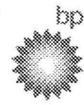
BP's Global Strategic Intent and Operations in the US

... The Importance of Alaska to BP

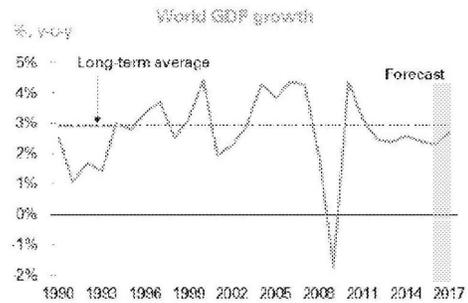


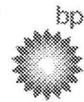
BP's

Alaska –

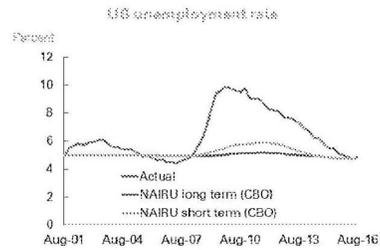
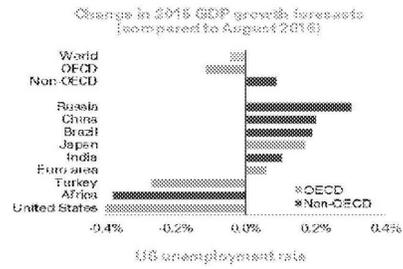


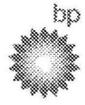
- The world economy remains weak, with global growth expected to be 2.3% in 2016 followed by a gradual increase to 2.7% in 2017.
- Growth in the OECD this year has been revised down to 1.8%, 0.2% lower than the view in August 2016 and 0.5% lower than in 2015.
- Non-OECD is improving driven by greater stability in China, relative improvements in Russia and Brazil and a more favorable global-risk appetite.
- The outlook for non-OECD growth of was 3.5% in 2016 before picking up to near trend rate of 4.4% in 2017.
- Despite this weak central view, the risks remain heavily skewed to the downside, with political uncertainty in the US and Europe posing the biggest threats in the short-term.





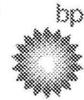
- ✦ In the US, weaker than expected business investment and global trade had prompted a downward revision of the 2016 forecast to 1.5% (from 1.9% in August):
  - The weakness in capital spending reflects continuing declines in energy investments
  - The impact of the dollar's appreciation and heightened policy uncertainty ahead of the Presidential Elections
- ✦ US growth is expected to pick-up to 2.2% in 2017, as the drag from lower energy investments and dollar appreciation fades.
- ✦ Strong jobs and income growth should support consumer spending and housing activity, with the Fed tightening policy only very gradually.





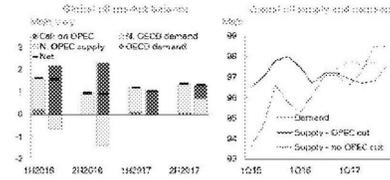
BP's

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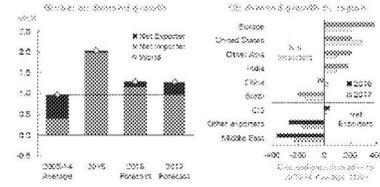


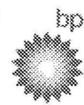
- Dated Brent rose by nearly \$4/bbl to about \$50 in the immediate aftermath of OPEC's announcement of the first coordinated production cut since 2008.
- The short term (2017) outlook on pricing will be underpinned by the **degree of compliance** (by producing countries) with OPEC's proposed production cuts.
- Global oil demand growth set to remain above-average in 2017. Low oil prices continue to provide a boost for global oil consumption, which is expected to grow by 1.3 Mb/d in 2017, above its average of the past decade (1.0 Mb/d).
- Net oil importers drive growth in both last year and 2017 (They continue to account for the bulk of expected global oil demand growth - 1.1 Mb/d in 2016 and 1.0 Mb/d in 2017 vs. 0.4 Mb/d on average between 2005-14).

Oil market tightens in 2017 if OPEC cuts



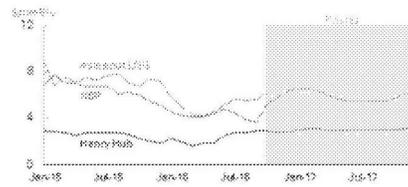
Oil demand growth still above-average



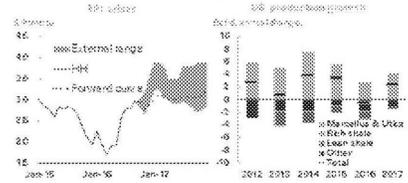


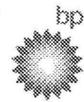
- Gas prices picked up in all key markets in 2Q- 3Q 2016 buoyed by the recent recovery in coal prices.
- The upward pressure on prices from the combination of solid consumption growth and declining production but will be mainly offset by ample supplies from Russia and North Africa resulting a marginally “increasing” price trend.
- Demand: strong growth seen in 2016, even stronger in 2017 mainly due to increased gas consumption in China.
- Decline in Supply seen in 2016 before sharp rebound in 2017:
  - mainly due to US net production as a result of lower drilling activity but is expected to rebound strongly in 2017.

International Gas Prices



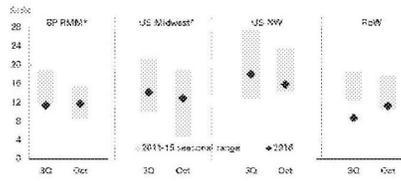
North American natural gas market



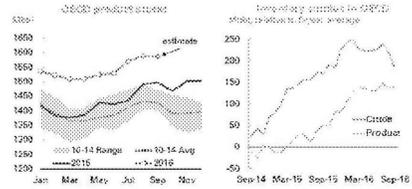


- The Global Refining Margin (RMM) averaged \$12.1/bbl in October 2016 supported by a high level of turnarounds. Although higher than in 3Q16, RMM is still below seasonal averages due to high product inventories.
- OECD products stocks reached 30 year highs in August 2016, but the stock overhang relative to seasonal norms has been relatively constant since March. Growth in refinery runs fell sharply during 2Q-3Q16, in part due to higher than usual turnarounds, but also partly a result of economic factors, as moderating demand growth and high stocks have weighed on margins over the last 6 months.
- Forward markets currently indicate a 2017 RMM of just under \$12/bbl, similar to the projected 2016 average.

Refining margins by region



Product inventories

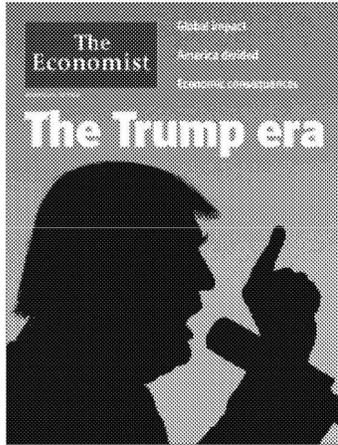
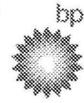


# **Redacted - First Amendment**



BP's

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- President** ✓ Donald Trump becomes 45<sup>th</sup> President of the United States on January 20, 2017

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- Senate** ✓ Republicans will retain a voting majority with at least 51 of 100 seats in the Senate  
✓ 60 votes are needed to pass most bills

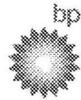
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- House** ✓ Republicans retain voting majority, with at least 239 of 435 seats

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- States** ✓ 25 states have Republican governors and GOP controlled legislation. Only 6 states are controlled by Democrats

**Redacted - First Amendment**



The World and US Economic Outlook

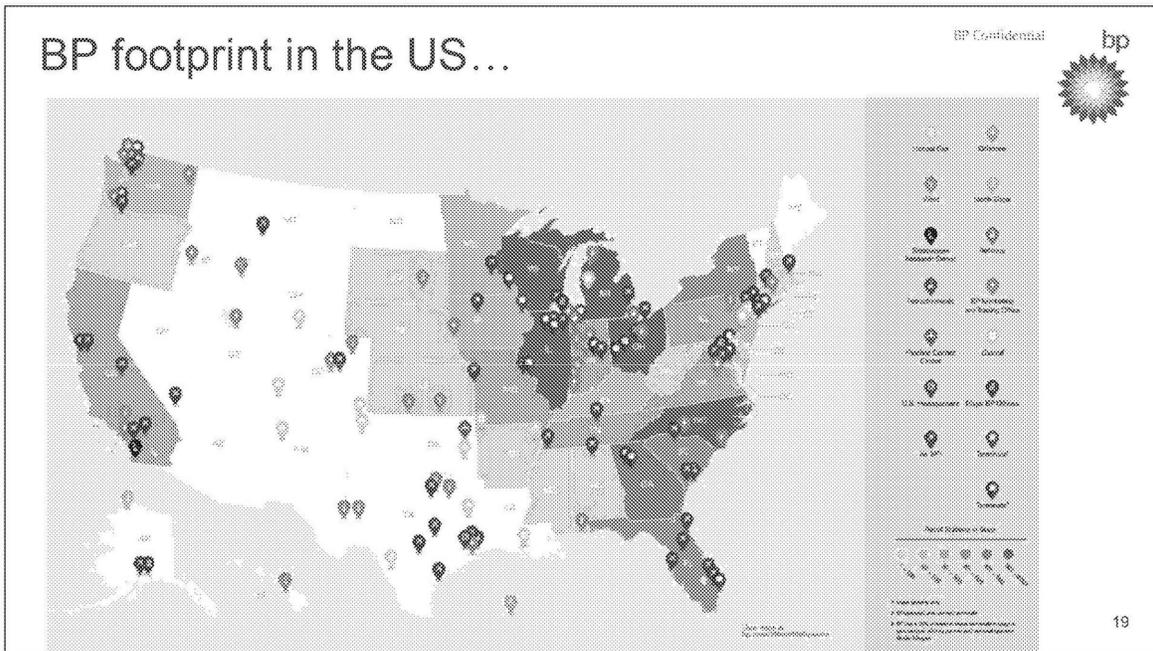
The Outlook for Oil and Gas Markets

US Political Context

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Alaska – The Importance to BP

# **Redacted - First Amendment**



BP has larger footprint in the US than in any other country with \$106bn (39%) of its assets, 643mmbd (31%) of its production, and \$5bn/yr (30%) of its capital. We employ 14,000 and add! 145,000 workforce via the supply chain

**Upstream:**

643mboe/d production (GOM - 250mmbd; L48 - 284mmbd; Alaska - 109mmbd)

4 operated and 3 non-operated offshore assets in GOM

1 giant field and 2 non-operated assets in the North Slope; holding 29% interest in a massive LNG project est. to come online in 2025

7.5bn bbl resource base managed by L48 via >9,800 operated and 13,200 non-operated wells

**Downstream:**

3 refineries with a processing capacity of 824,000 boe/d (Whiting - 430mmbd; Cherry Point - 234mmbd; Toledo - 160mmbd)

2 petrochemical plants with 3.1 million tons of chemical production capacity (Cooper River - largest producer of PTA, with capacity to produce 1.4 million tons of chemicals/year; Texas City Chemicals - with a capacity to produce 1.5 million tons of chemicals/year)

Retail: 13.5 billion gallons of fuel delivered in the US in 2015.

Lubricants: Castrol business accounts for 23 out of every 100 gallons of consumer motor oil purchased in US stores.

Air BP: sells more than 7.5 billion gallons of aviation fuel each year.

USPL: manages 4,000 miles of pipeline, 1.3 mmbd crude oil, liquid gas, or refined product; and has 64 above-ground storage tanks with 4.8mmbd capacity

Trading: No. 1 marketer of natural gas in North America, on average 1.2 million transactions a year, serving 3,500 customers throughout the country.

**BP Wind:**

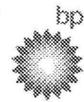
Globally largest operated renewables business of any major oil and gas company;

Directly operates 14 wind farms in 8 states - with gross generating capacity of 2,285 megawatts (enough to power all homes in Philadelphia)

BP Shipping: 1,100 voyages to/from the US in 2015, moving more than 46 million tons of cargo.

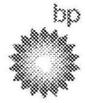
# Impact of BP Operations in the US

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- ◊ Any business activity performed by BP across the globe is conducted by one of our Business Units in the US.
- ◊ Over the past 10 years, BP has invested more than \$90 billion in the U.S. — more than any other energy company.
- ◊ BP is a leading producer of oil and gas and produces enough energy annually to light nearly the entire country for a year. In the US, BP produces a little over 600 thousand barrels of oil equivalent per day, about 30% of BP Group's upstream production excluding Russia.
- ◊ BP's three US operated refineries account for 744 thousand barrels of oil per day crude distillation capacity, or about 40% of BP Group's. This includes the Cherry Point refinery at 234 mbd here in Washington State.
- ◊ Employing about 14,000 people across the country, BP supports more than 130,000 additional jobs through all of its business activities in the US.

# **Redacted - First Amendment**



The World and US Economic Outlook

The Outlook for Oil and Gas Markets

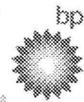
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# Our Business in Alaska

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BP presence in Alaska since 1959

## Operating area

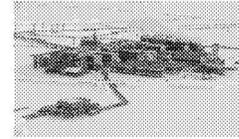
- > 250 miles north of the Arctic Circle
- > 1,200 sq. miles (size of Rhode Island)
- > Winter temperatures average -30°F

## Greater Prudhoe Bay facilities

- > Started up in 1977
- > 11 major facilities
- > 1,200 production/injection wells
  - ~ 66% of wells in Upstream (excl. L48)

## Approx. Year on Year Spend

- \* Capital Budget: \$1.1 b
- \* Operating Budget: \$1.3 b



## Pipelines

- > 1,300 miles of pipelines, 20% (excl. L48)

## Production (Gross)

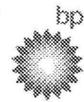
- > 8.7 bscf gas per day (1.5 mboed)
- > 1.3 million barrels water per day
- > 231,000 barrels oil per day (operated)

## People

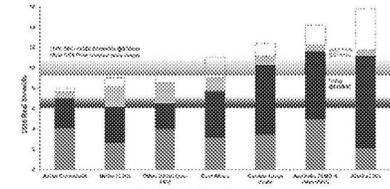
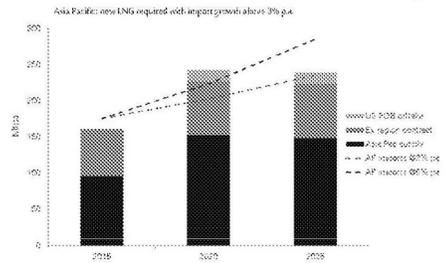
- > ~1,800 BP staff
- > 700 field technicians, 50% unionized
- > 4,000 contractors

# The Future of LNG in AK: How real is it?

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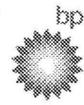
- Asia Pacific is likely to need new LNG supply after 2020
- **Question:** Where will the new supply come from for the Asian Markets and how can Alaska LNG compete?
- The overall market is being shaped by USGC LNG and which will define the marginal cost of supply for the industry going forward.
- **Currently** AK LNG does not compete on a cost of supply basis, as per WoodMackenzie study August 2016
- With non-technical changes, AK LNG can deliver a top-quartile cost of supply
  - ... Tolling model / Financing levers
  - ... Role of State as owner, not operator
- Alaska gas remains BP's largest undeveloped resource opportunity, globally



Notes: USGC LNG contracts are assumed to be 100% gas. USGC LNG contracts are assumed to be 100% gas. USGC LNG contracts are assumed to be 100% gas.

# The Future of LNG in AK: How real is it?

BP Confidential



• **Key messages to take away:**

- The Asian LNG market looks well supplied through 2020 but is likely to need **new project volume by 2025**.
- The LNG market structure is **changing rapidly** as a result of the emerging supply and unique characteristics of US Gulf Coast LNG
- Alaska LNG has **options to deliver a competitive cost of supply** (through non-technical levers – Commercial Structure / Financial / Ownership model changes).
- BP is well positioned and looking to grow its LNG business and remains **committed to a State-led AK LNG project**.