

EXTERNAL STATEMENT for media

bp Commits to Working with Biden Administration on Energy & Climate Agenda

January 27, 2021 – Following today's Executive Order by the Biden-Harris Administration to tackle climate change and pause all new oil and gas leases on federal lands, bp America Chairman and President Dave Lawler issued the following statement:

"bp looks forward to working with the Biden-Harris Administration on their energy and climate agenda. bp's ambition is to become a net zero company by 2050 or sooner and help the world do the same, so we strongly support President Biden's ambition for the US to reach net zero by mid-century. During this pause on the sale of new federal oil and gas leases we plan to work closely with the administration on developing well-designed climate policies that will help advance the US and the world toward net zero. We support their push to transition the US energy mix towards lower carbon options—just as we are doing as a company striving for net zero—and believe hydrocarbons have a role to play in the energy transition."

TALKING POINTS for IR / stakeholders on a pause new oil and gas leases

High level talking points on Biden Administration's energy and climate agenda

- bp looks forward to working with Biden Administration on their energy and climate agenda for America
 - During the pause in new oil and gas leases, bp will be working closely with the administration on developing well-designed climate policies that help the US and the world reach net zero.
 - We applaud the decision to rejoin the Paris Agreement, which bp supports.
 - This Agreement has an equally powerful effect on companies as it has on countries.
- We will have areas of agreement and differences, but we support the goal of reaching net zero by 2050
- We also applaud many of the clean energy and conservation targets in the EO which are consistent with our strategy; such as:
 - Doubling offshore wind in federal waters by 2030;
 - Encouraging the purchasing of zero-emissions vehicles for government fleets;
 - Looking at ways to streamline permitting processes to accelerate deployment of clean energy and transmission projects; and
 - Encouraging sustainable forestry practices to result in carbon reductions and sequestration that sources bioproducts and fuel.

What is the impact to bp of a pause on new oil and gas leases and permitting on US federal acreage?

- On Wednesday, Jan 27, the Biden Administration announced a pause on future oil and gas leases on federal lands and waters, pending completion of a review of Federal oil and gas permitting and leasing practices.
- This review will include looking at royalty rates and whether to require new procedures for permit approvals such as accounting for climate costs.
- **Impact onshore:** Impact is de minimis; <1% of our Permian assets are on federal lands and only one potential application for permit to drill (APD) is impacted
- **Impact to Gulf of Mexico:** We do not expect significant impact on our existing operations in the Gulf of Mexico and limited impact on our work in the near future, including our Argos project.

- We need more information to ascertain impacts the review may have on future permits associated with existing leases.
 - A pause on new leasing shouldn't have a huge impact on short to mid-term future development plans in the Gulf of Mexico.
 - We do not expect that new procedures for approving permits for existing leases will have a significant impact in the short-term.
 - We already received permit approvals associated with our existing leases under the elevated review process announced by Interior on January 21.
 - For future permits, we will work with the Administration to continue safely operating our current portfolio onshore and in Gulf of Mexico
 - Resilient, high-value hydrocarbons remain the engine that will power our transition to a greener – and ultimately a net zero – company

How does this order differ from the Administration's pause on permits announced on Thursday, Jan 21?

- On Thursday, Jan 21, the Administration announced that permits or leases for oil and gas projects on federal lands and waters have been temporarily elevated for decision for 60 days.
 - This means that decisions typically made by career staff must rise to higher-level political appointees at the Department of Interior
 - The announcement was characterized as a "temporary pause on new permits and leases".

How long is this pause expected to last?

- The order does not give any indication to the length of the pause
- A fact sheet associated with the order stated the pause will continue until a full review of the program is completed.
- We expect this pause to last at least one year to allow the Administration to conduct this review.

How does this impact bp's Argos platform and/or Kaskida oil field? Permian assets?

- This announcement pertains to a pause on new leases and does not retroactively rescind granted leases.
- We do not expect any impact on our Kaskida position, which was extended last year for 3.5 years by DOI.
- For future permits, we will work with the Administration to ensure we can continue to safely operate our current portfolio onshore and in Gulf of Mexico

How does bp respond to Biden's claims that he will "end fossil fuel subsidies"?

- bp supports a price on carbon as the most effective way to reduce emissions and transition the world to net zero, as outlined in bp's net zero 2050 ambition.
- We recognize and understand the desire by governments to examine the issue of fossil fuel subsidies, but any debate on fossil fuels subsidies should take into account that incentives to develop a country's oil and gas resources are a legitimate form of industrial policy.

BACKGROUND

- The EO calls for relevant government agencies to identify any fossil fuel subsidies they may provide and take steps to ensure that Federal funding is not directly subsidizing fossil fuels.

- The EO also calls for Interior to examine royalty rates for oil and gas development on federal lands and waters.
- There is significant difference of opinion on what a fossil fuel subsidy is.
- In the U.S., fossil fuels subsidies could refer to tax deductions available to the oil and gas sector, which are consistent with deductions available to many corporations, or royalties for oil and gas development.
- Some have also argued that the failure to tax GHG emissions of oil and gas and other sources is an implicit subsidy, and bp supports well-designed carbon pricing as the best way to address this.
- Note that any changes to tax policy would have to be undertaken by the U.S. Congress.

Redacted - First Amendment

BACKGROUND: business impact on pausing new oil and gas leases

Explain the difference between permits and leases?

- A **lease** is an assignment of new acreage to a company, typically allowing the company 10 years to conduct exploration and appraisal activities, and this is managed by the Bureau of Ocean Energy Management.
- A **permit** covers particular activity conducted within the lease, including seismic activity, drilling and completion of wells, and other subsea installation – this is managed by the Bureau of Safety and Environmental Enforcement.

Overview of bp's leases in Gulf of Mexico:

- bp is a significant exploration player in the Gulf of Mexico basin, and is always interested in lease sales.
- We typically bid in 30-50 leases each year [March lease notice]
- In 2020 we bid on 34 leases and won 22 leases, spent \$27m on these lease acquisitions.

Impact on Argos:

- A good portion of the needed permits were submitted and approved.
- Platform location and subsea infrastructure unlikely to change.
 - All subsea infrastructure approved as well as the suction pile design – the structure/floater permit is on track for submittal in Feb 2021.
- 22 total number of wells planned for this project - 9 have been drilled to date.

- We are looking to drill 2 more by the end of 2021.
 - We will need to drill 4 to 5 wells in 2022.
- There are several safety related permits on the list of approvals.

Impact on existing Gulf of Mexico operations:

- We do not expect that new procedures for approving permits for existing leases will have a significant impact in the short-term.
- We have already received permit two approvals associated with our existing leases under the elevated review process announced by Interior on January 21.
- This includes:
 - The Puma West application to modify permit.
 - The Atlantis well permit needed for comingling production.

Impact on GOM access or new leases:

- In the November 2020 lease sale, bp won 10 exploration leases.
- There is a planned lease sale in March under the currently DOI 5 year plan, which ends in March 2022. This lease sale may be cancelled as the result of this order.
 - GOM is in the process of evaluating the leasehold to determine participation in the March lease sale.
- There is an open question on whether a lease ban would affect transactions between companies (e.g. acreage exchanges).
 - We have a pipeline of ~7-10 live transactions coming up.
 - A subset of those are likely to close and therefore will result in needing BOEM approval over the next year for transfer of assignment/title from one company to another.
- A one-year leasing freeze appears manageable, however a prolonged ban (or lack of lease sales scheduled in a new DOI 5 year plan) could impact GOM's long term business plans.
- GOM's strategy includes keeping our current hubs full and finding a new Core-X hub both of which could necessitate participation in future lease sales.

Background on Argos platform:

- Approved in December 2016, Argos is the first new bp-operated production facility in the Gulf of Mexico since 2008 and will be bp's fifth operated platform in GoM.
- Argos will operate in 4,500 feet of water nearly 200 miles south of New Orleans.
- It was built in South Korea and on 2/2/21 begins its 70-plus day journey to the US.
- The semi-submersible, floating production platform is the centerpiece of the \$9 billion Mad Dog Phase 2 project.
 - The project is expected to produce 140,000 barrels of oil equivalent a day (boe/d) through a subsea production system from up to 14 production wells and eight water injection wells. First oil is expected in 2Q 2022.