

Advancing the Energy Transition

The business case for climate action

- 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.
- In the past we've relied on political stability and common sense to protect our interests. That is no longer an option. Moderate Republicans like those who support the Climate Leadership Council and its fee and dividend plan (James Baker, George Shultz, Janet Yellen and so on) are leading on this issue. And the movement, which includes institutional investors, 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. Those of us based in Europe 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, but not compromised by trades' positions that we cannot live with.
- Activists have greater influence than ever before. Many of them want to put us out of business. 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. Right now it has more impact in Europe, 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.

- 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 and growing shareholder value.
- 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.
- We believe a fast-paced transition is best—a slow or delayed transition runs the risk of being costly and disruptive.
- 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.
- Delivering Paris requires policy that is well-designed clear, stable, predictable, comprehensive and economically efficient in the sense of delivering society's goals at least cost.
- 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.
- 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.
- 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.

The dual challenge

- The world needs more energy but with fewer emissions. BP is playing an active role in meeting the dual challenge. Embedded in our strategy is BP's approach to lower carbon and reducing emissions. We call it the 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:

- 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.

Redacted - First Amendment

Redacted - First Amendment

But we need more than just one solution

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 and extend the life of liquid fuels. So, at BP we advocate for:

- Technology-neutral policies towards lowering transport emissions
- Support for improved internal combustion engine (ICE) and vehicle efficiency.
Increasing efficiency, rather than fuel switching, is the main factor causing transport carbon emissions to fall from current levels. Increasing electrification accounts for around half of the gains from fuel switching, with the majority of the remainder reflecting greater use of biofuels, which increase by around 4 Mb/d to 6 Mb/d by 2040.
- 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 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 .

Our most recent Energy Outlook shows the gains made by switching from coal to gas. Power reductions are a cost-effective way to reduce carbon emissions, and natural gas is more economic than coal. The Outlook also shows that emissions from our industry shouldn't be the first priority if we want to reduce carbon quickly.

-

What is BP downstream doing?

- 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.
- We see the possibilities it presents and continue to make bold changes across the group as part of our commitment to advancing a low carbon future. Our strategy is to grow advantaged oil and gas in the upstream; market-led growth in the downstream; pursuing low carbon growth opportunities and modernizing the group. And executive and staff bonuses are linked to emissions reduction targets.
- 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.
- Seven workstreams lead the business in delivering the Reduce, Improve and Create 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. A few highlights of those workstreams:
- 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.

- 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.
- Carbon Capture Utilization and Storage
 - Assessing all downstream CO2 sources for capture, use and storage potential.

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.

What now? Where should we go?

- 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, because we feel strongly that we need to be part of groups like AFPM.

Redacted - First Amendment

Redacted - First Amendment