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From: Chris Reynolds (BP), Bryan McBournie (Axios) [REDACTED]@bp.com]
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To: Minge, John C [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn= [REDACTED]]
Subject: ITK top 10: US election results, Rosneft reports and Darren Woods rare TV spot



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In The Know

Chris Reynolds (BP) & Bryan McBournie (Axios) • Nov 07, 2018

Good morning from London everyone, where we're feeling a little bleary-eyed after following the US elections through the night. More on that below, but let's start the day on this side of the pond...

Situational awareness: BP's most senior leaders are gathering for their annual meeting today, this year hosted at the Grove Hotel in London. Over the next one-and-a-half days they'll be reviewing the company's performance for the year and planning ahead for 2019.

Modernization and transformation will be the big focus, with distinguished guest speakers from IBM, Lightsource BP, and a retired 4 star general from the US Army contributing to the discussions. Strategic priorities like safety and respect and inclusion are also high on the agenda.

Market update: BP closed at \$42.66 (+0.12%) on the New York Stock Exchange, and 539.60p (-0.46%) on the London Stock Exchange. Brent Crude is dropping again, priced this morning at \$71.87.

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2. Rosneft sees 250% rise in profits

The Russian firm recorded a net income of \$2.3 billion, up from \$0.7 billion a year earlier and beating broker estimates by 3%.

Why? Higher oil prices are again a key factor, but the weak rouble actually helped Rosneft as they make a lot of their income from foreign currency-based revenues. Even when earnings are repatriated they are more than offset by exporting gains.

All systems go: Production also increased by 3.4%, thanks to the easing of output restrictions following a deal between Opec and non-Opec producers in June.

- **Yes, but:** The results were 36% down quarter on quarter - in part because net income was hit by a one off \$2 billion downstream impairment.

Lest we forget, that BP owns a 19.75% share in Russia's state oil company, so this is positive news for both companies.

3. Producers will continue to replace Iranian oil, US official says

The US wants to cut Iranian oil exports even further without increasing global oil prices, [a US State Department official said](#).

Production increases by the US, Saudi Arabia, Russia and Iran are already largely countering the loss of Iranian barrels from the market said Brian Hook, head of the State Department's Iran action group.

Yes, but while Iranian oil exports have fallen in recent months, the waivers held by [major buyers could turn that around](#).

China, India, South Korea, Japan, Italy, Greece, Taiwan and Turkey represent more than 80% of Iranian oil imports, and all have waivers from the US that allow them to buy for 180 days. It's entirely possible that all eight countries will ramp up their oil purchases in the weeks ahead.

4. Exploration and production ramping up in Africa

The recovery of oil prices has reached the oil and gas industry in Africa, with exploration and production increasing, [Reuters reports](#).

Oil majors, as well as independents, are getting more active in exploration and production. Just a year ago, when crude oil seemed to be stuck at \$50 per barrel, exploration in most African countries was in a rut.

Things have changed, and now there's a race for firms to get into the 41 billion or more barrels of oil and 319 trillion cubic feet of gas that has yet to be discovered in sub-Saharan Africa, according to US Geological Survey estimates.

Signs of resurgence:

- As we mentioned yesterday, Shell has entered negotiations with São Tomé and Príncipe for an interest in offshore blocks.
- BP and Kosmos Energy have begun environmental studies off São Tomé and Príncipe.
- OPEC member Republic of Congo plans to offer blocks onshore and offshore.
- Cairn Energy is active in Senegal.
- ExxonMobil has made moves in western and southern Africa.

- Total and Eni are reportedly close to oil and gas production sharing deals in Ivory Coast.

5. The headlines grabbing our attention



Lightsource BP solar panels

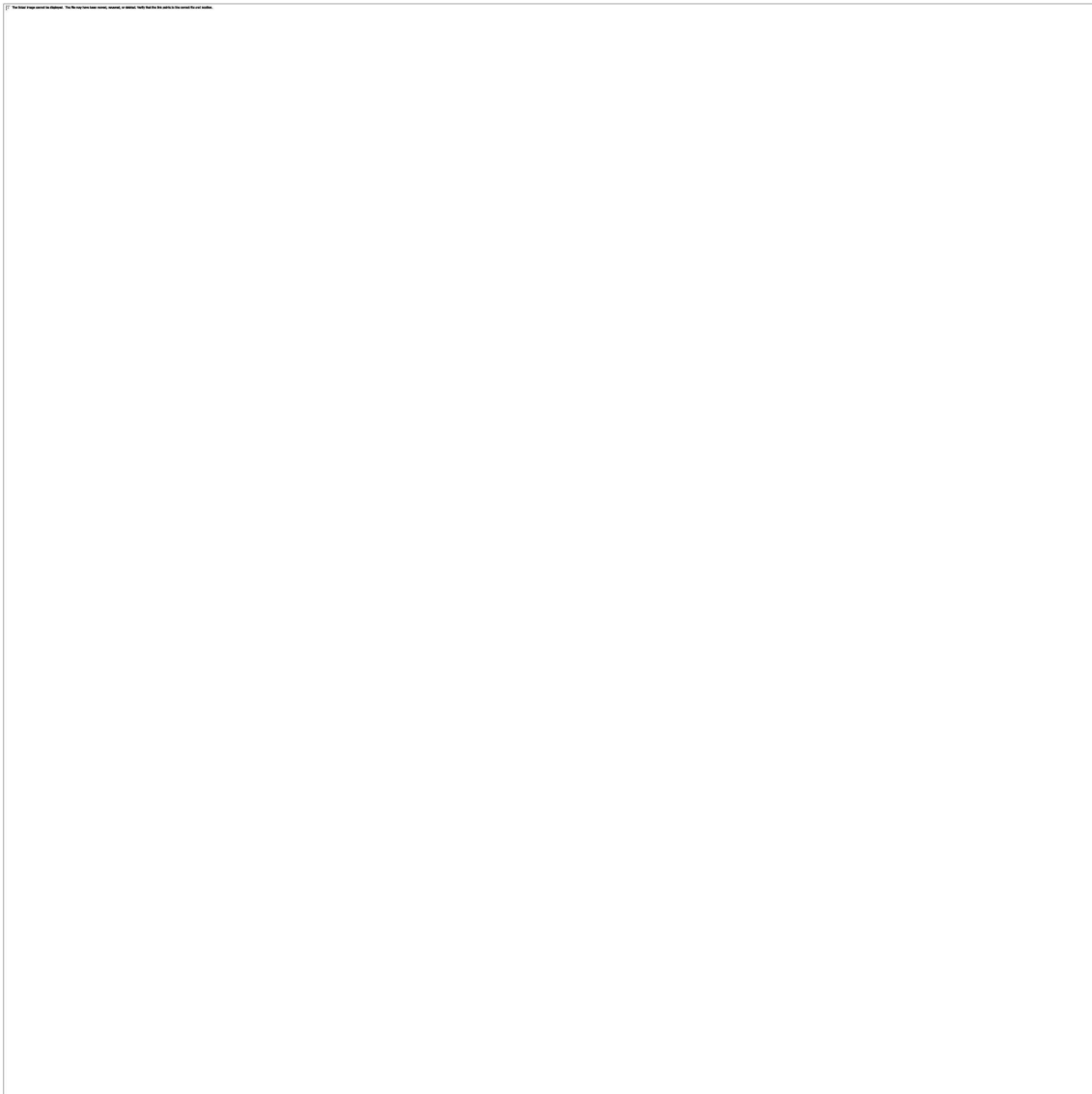
UK renewable energy capacity surpasses fossil fuels for first time. Capacity of wind, solar, biomass and hydropower reached 41.9GW, exceeding the 41.2GW capacity of coal, gas and oil-fired power plants. ([The UK Guardian](#))

Saudi crown prince launches project for first nuclear plant in Saudi Arabia. Mohammed bin Salman launched a project to build the first nuclear research reactor in the kingdom. ([Reuters](#))

New analysis of EIA data finds US CO₂ emissions have increased 2.81% this year. If the current growth rate continues, emissions from energy consumption in 2018 will be back up to the level they were in 2015. ([Solar Power World](#))

Earnings at Petrobras jump 20x on higher oil prices. Brazil's state producer recorded net profit of \$1.7bn in 3Q 2018, versus \$71.4m in the same period last year. ([FT](#))

6. Five factors driving the oil price



With oil prices dropping almost 15% since they hit a four-year high last month, the Financial Times has looked at what is driving volatility behind prices.

- **Output rises:** US production has risen faster than expected, while Saudi Arabia and Russia have started to pump almost record amounts. This has all led to a weakening in prices.
- **Sanctions:** Eight nations have been given exemptions to US sanctions on importing Iranian oil, but it won't be enough to stop supply dropping. Iran exported 2.8 million barrels per day in April 2018. By the new year - even with exemptions - this could be 1 million barrels per day.
- **Opec demand slowdown:** The alliance has forecasted a slowing in demand, with Saudi Arabia keen not to oversupply the market.
- **Spare production is limited:** there is a lack of spare capacity in Opec to deal with supply outages. Replacing Iranian barrels will eat this up further.
- **Has the cycle turned?** Hedge funds have gone from bullish on crude earlier this year, to paring back their positions, suggesting the cycle has turned.

Further reading: Citigroup speculate in Bloomberg that oil could even touch \$100 this year.

7. Full EV adoption cost 'astronomical'

It will cost an estimated \$6 trillion to build the infrastructure that electric cars need such as charging stations and power networks according to Goldman Sachs. The finding is explored in a new Bloomberg piece on the future of transport.

- That cost equates to 7.5-8% of the entire world's GDP.
- The transition to EVs will have to be helped through government subsidies.
- In Denmark and Hong Kong, where government support was withdrawn early, sales immediately dropped.
- Add to that the amount companies spend on making the cars and batteries, and the number could be even higher.

Bringing down costs

- Even as technology improves, battery costs also remain a huge barrier.

- The report found that we're at least five years away from bringing the price of a good electric car down to that of comparable conventional one, without factoring in tax credits and subsidies.

The bigger picture: the challenges create a huge opportunity. For example, electric vehicle sales rose 55 percent in China last month, even as overall passenger-car demand slumped.

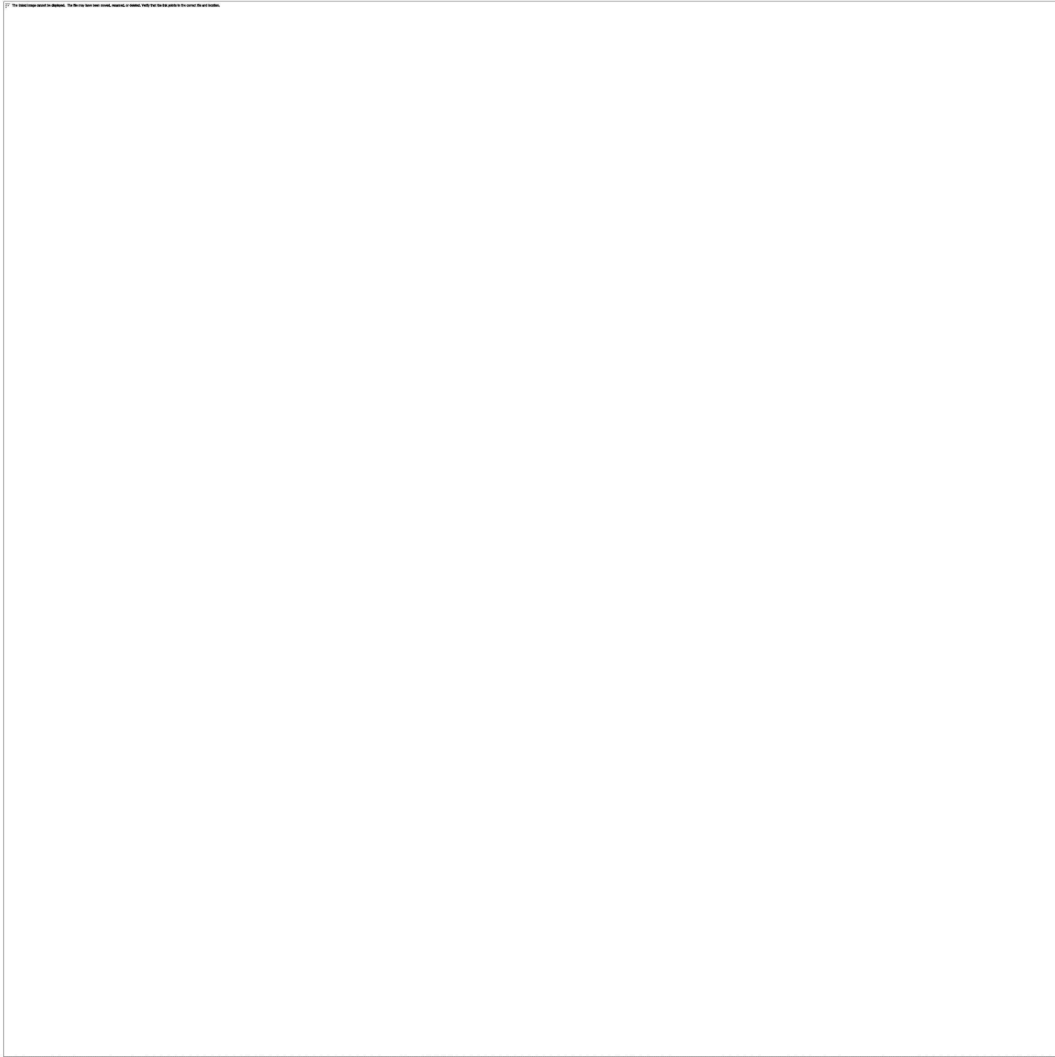
The report concludes that if battery costs come down to \$100 per kWh, the parity it would bring with internal combustion engines could be a tipping point.

Go deeper: [read the full piece](#).

Elsewhere, renowned Turkish scientist Kenan Sahin has come up with a new technology that will [reduce the need for cobalt in electric vehicle batteries](#).


The technology reduces the need for cobalt by inserting it into specific spaces within the chemical structure of cathodes.

8. Video of the day: Exxon CEO makes rare TV appearance



Darren Woods. Credit: Exxon Mobil

In a first for Bloomberg, they spoke to Exxon Mobil chief Darren Woods.

 **Watch (15 mins):** as he discusses global trade tensions, Chinese demand and the firm's acquisition strategy.

9. Serica to buy Marubeni's stakes in Bruce & Keith fields

Japan-based Marubeni has agreed to sell its stakes in the Bruce and Keith fields in the UK North Sea to Serica Energy, the companies announced on Tuesday.

Under the terms of the deal, Serica will acquire Marubeni's 3.75% interest in the Bruce field and 8.33% interest in the Keith field.

The deal comes just a day after Serica announced it had taken the necessary steps to meet the conditions of the US Office of Foreign Assets Control (OFAC) licence allowing continued operation of the Rhum field as US sanctions took effect.


Serica's deal with Marubeni will add to the deals it has struck with BP, BHP, and Total, increasing its stakes in the Bruce field to 98% and the Keith field to 100%.

BP and Total will each hold a 1% interest in the Bruce field.


10. Pic of the day: Campaigning in the cold



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We're back off to bed 😊😊😊


St. James's, London SW1Y 4PD

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