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# Geopolitical risk

Mary Streett

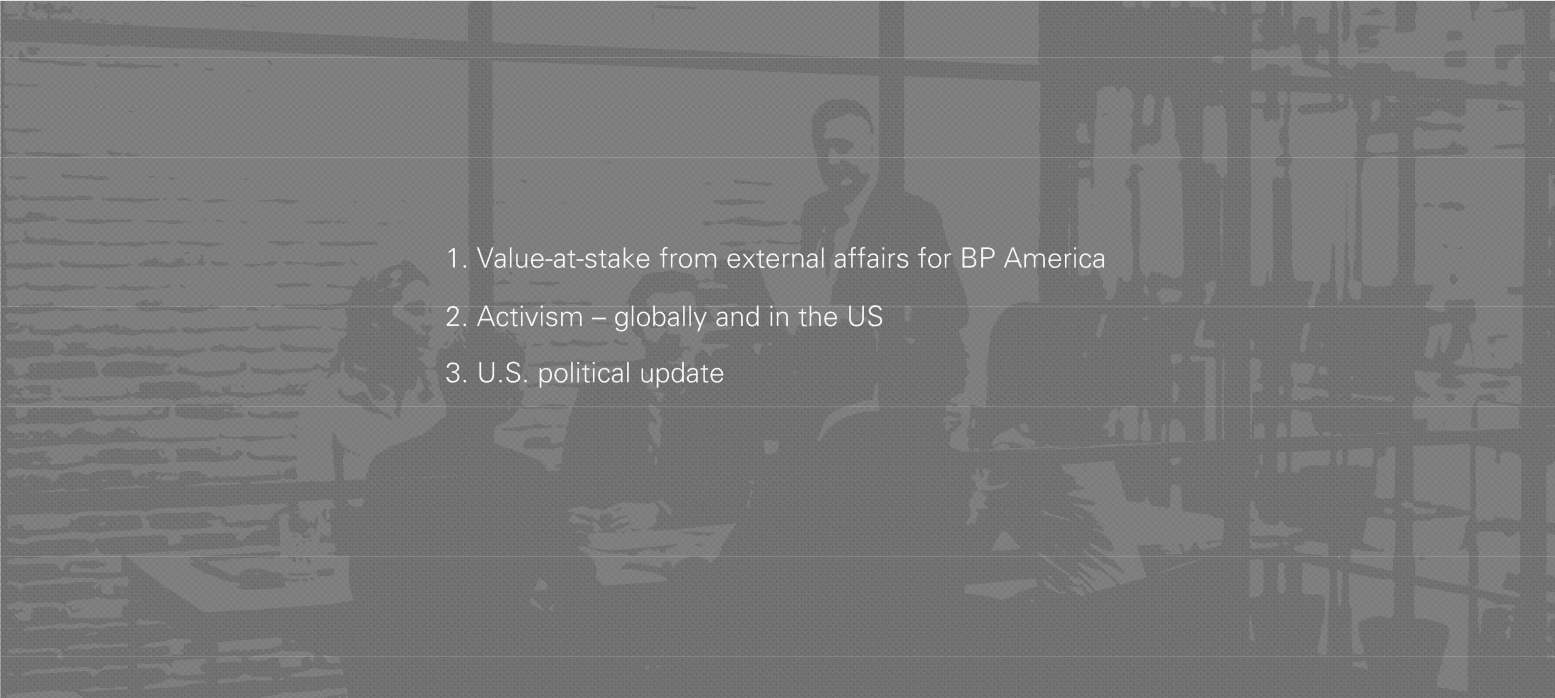
BP America Board of Directors Meeting | 12 December 2019

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## Agenda

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- A grayscale, semi-transparent background image showing a group of people in a meeting room. Several individuals are seated around a large table, looking at documents or laptops. The room has large windows in the background.
1. Value-at-stake from external affairs for BP America
  2. Activism – globally and in the US
  3. U.S. political update





## 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:

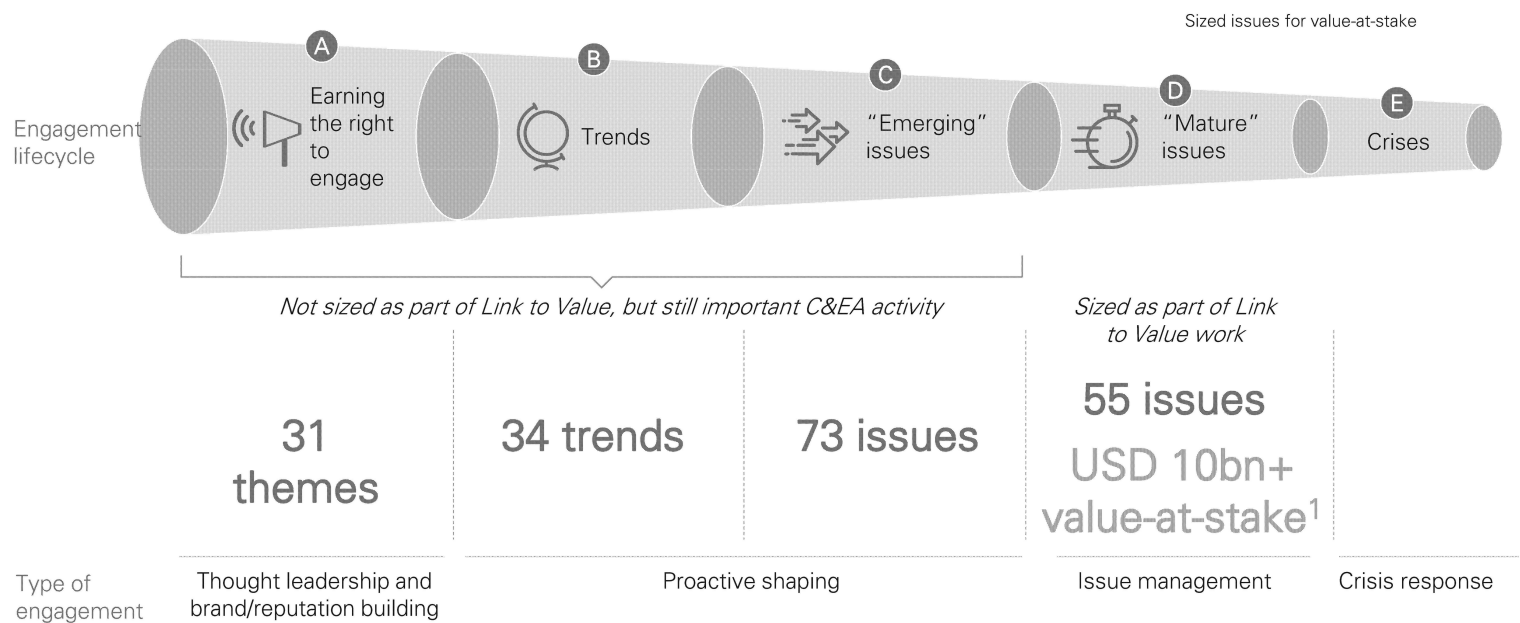
- Better link C&EA activity to the commercial value protected/created
- Better prioritize scarce C&EA resource
- Take a more proactive posture to external engagement – not just reacting to the “need of the hour”

### » 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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# Eight engagement themes stand out for BP America

☐ Not sized during Link to Value

☐ Significant unsized risk

☐ Long-term risk of delegitimization of industry


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	<b>Redacted - First Amendment</b>	<ul style="list-style-type: none"> <li>Venezuela sanctions</li> <li>Russia sanctions</li> <li>NOPEC legislation</li> </ul>	<ul style="list-style-type: none"> <li>Iran sanctions</li> </ul>	Not sized
2 Montana remediation engagement			<ul style="list-style-type: none"> <li>MT purple risk</li> <li>MT Christian litigation</li> <li>MT – Great Falls, Butte, Anaconda</li> </ul>	~375
3 Offshore regulatory certainty	Significant and costly regulatory changes on which there is little clarity – largely impacting GoM	<ul style="list-style-type: none"> <li>Offshore decommissioning requirements (incl. "Idle Iron" policy)</li> <li>BOEM NAAQS</li> <li>E&amp;P exempt waste</li> </ul>	<ul style="list-style-type: none"> <li>DOI BOEM Financial Assurance</li> <li>Louisiana land loss</li> <li>Certainly about Jones Act</li> <li>SOO and SOP application process</li> <li>Offshore visibility modelling protocol</li> </ul>	~2,100
4 Infrastructure	Investment, permitting, and public support for operational infrastructure, esp. pipelines and general infrastructure to support BP operations	<ul style="list-style-type: none"> <li>New FERC pipeline certificate process</li> <li>Clean Water Act in pipeline approval</li> </ul>	<ul style="list-style-type: none"> <li>Canada production curtailment</li> <li>Permian basin infrastructure</li> <li>Pipelines</li> <li>Bakken crude trains</li> </ul>	~2,000
5 Future of Alaska	Strategic decision around future of BP's Alaska business and corresponding external engagement	<ul style="list-style-type: none"> <li>ANWR strategic decision</li> <li>Alaska carbon pricing</li> </ul>	<ul style="list-style-type: none"> <li>AK LNG alignment</li> <li>State budget deficit</li> <li>AK "Open for Business"</li> </ul>	~1,800
6 Climate policy and renewables	Carbon and climate policies impacting BP's business primarily in downstream and trading	<ul style="list-style-type: none"> <li>Renewables Portfolio Standards</li> <li>NY state climate policy</li> <li>USEPA/DOJ consent decrees at refineries</li> </ul>	<ul style="list-style-type: none"> <li>West Coast carbon program</li> <li>Cherry Point &amp; Whatcom County</li> <li>RFS reform &amp; E15 mandate</li> <li>RFS reform impact on RIN trading</li> <li>Carbon capture</li> <li>Biofuels tax credit</li> </ul>	~600
7 Role of gas/ "gas is good"	Efforts to advantage other fuels over gas, and threats to BP's "gas is good" message	<ul style="list-style-type: none"> <li>PURPA reform</li> <li>State nuclear subsidies in PA</li> </ul>	<ul style="list-style-type: none"> <li>DOE coal/nuclear solutions</li> <li>FERC grid resilience docket</li> <li>Direct regulations on methane</li> <li>State-wide methane rule in New Mexico</li> <li>De-facto moratorium in Colorado</li> </ul>	~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		<ul style="list-style-type: none"> <li>US-China trade relationship</li> <li>Steel imports tariffs</li> <li>NAFTA/USMCA &amp; Canada</li> </ul>	~250

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

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



■ Risk ■ Opportunity

Issue	Business impacted	Value-at-stake, 3-year cumulative cash, USD mn	Takeaways
① DOI BOEM Financial Assurance	Gulf of Mexico	-1,588	<ul style="list-style-type: none"> <li>Top issues dwarf long-tail of other issues, creating case for dedicated focus</li> <li>BP's 10 largest issues come from 5 different units – role of BP America is integrating and stewarding</li> <li>There is significant upside, though most activity is concentrated in risk mgmt. and mitigation</li> </ul>
② <b>Redacted - First Amendment</b>	Alaska	-1,495	
③ Canada production curtailment increasing US refinery crude oil cost	Fuels NA	1,260	
④ Particulate Matter ambient air quality standards	Cross-cutting <sup>1</sup>	-464	
⑤ Changes in Whatcom County zoning laws that limit facility product and expansionary opportunity of Cherry Point	Fuels NA	-438	
⑥ DOE nuclear / coal subsidy proposal	NA Gas and Power	-400	
⑦ Exposure to Enbridge line 5 pipeline	Fuels NA	-360	
⑧ DOI Outer Continental Shelf 2019-2024 leasing plan	Gulf of Mexico	358	
⑨ Secure Yerington value proposition	Remediation Management	-350	
⑩ Regulatory certainty on Jones Act interpretation	Gulf of Mexico	-321	
Total top 10 (% of total BPA value)		-5,416 (55%) 1,618 (16%)	

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	GOA	Petrochemicals	Shipping	Wind/AE	BPX	
Access	1,698	358	1,495	-	-	-	-	3	-	-	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	-	17	3,228
Favourable environmental & climate change regulation	335	130	-	1,000	492	-	132	-	-	-	55	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 GFR; 2019+ per 1QPF (main plan); OB&C 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 RCOP, %

50%

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## Increasing Activism

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**Top 10 Dutch investors**

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

Investor	Total Assets	2017	2018	2019
EGON	€ 804 billion	○	✓	✓
apg	€ 459 billion	✗	○	✗
Investment partners	€ 224 billion	○	✓	✓
PGGM	€ 211 billion	○	○	○
ROBECO	€ 167 billion	✗	—	—
PME	€ 130 billion	✓	✓	✓
achmea	€ 120 billion	✓	○	✓
VAN LANSCHOT KEMDEN	€ 67 billion	✓	✓	✓
actiam	€ 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