

## New strategy, financial frame and investor proposition



# An integrated energy company delivering solutions for customers

In February we set out *why* bp needs to change. We shared our **new purpose**, announced our **ambition to be a net zero company by 2050 or sooner** and to help the world get to net zero. And we backed that up with **10 aims**.

We also said that in order to do this we needed to **reinvent bp into a leaner, faster moving, lower carbon company**.

Covid-19 may have shaken the global economy – but not our determination to change. We have been:

- updating our long-term price assumptions;
- strengthening our balance sheet;
- refocusing our portfolio with the sale of our petrochemicals and upstream Alaska businesses.

## From IOC to IEC

This next step is all about *how* we change. We are setting out a **new strategy** that will see bp transform from an **International Oil Company** to an **Integrated Energy Company**.

What is an IEC that delivers solutions for customers? Let's focus on the key words:

- **Integrated.** The world's energy problems are getting more complex. They increasingly require complex, multi-energy solutions. This plays to our strengths. bp has global reach, long experience and vast skills. We can bring all that together from across the company– *integration* – to deliver solutions. For example, we are unlikely to build a renewables business for its own sake. We will build it as part of an integrated energy solution for a customer or because it enables a zero carbon energy offer or because it allows us to develop a new area, such as green hydrogen. It is about seeking integration in everything we do—along each discrete value chain and across value chains.
- **Energy.** We will diversify our company into different forms of *energy*– renewables, bio, hydrogen. Oil and gas will get smaller over time but will remain absolutely key to bp.

- **Customers.** We have long been focused on the production of resources. Now we will shift our focus to providing solutions for *customers*. Those customers will include mobility consumers and ride hailing services, commercial and industrial companies for electricity and gas, cities and industrial sectors in their journeys to decarbonize, and you and me for convenience. And many, many more.

This is a transformational step for bp – we are **pivoting from being an IOC focused on producing resources to an IEC focused on delivering solutions for customers.**

The world is changing:

- **Electrifying at pace**, with us seeing renewables as a clear winner
- Customers are **redefining mobility** and **retail convenience**
- Society is **shifting away from** its reliance on **fossil fuels**.
- Getting **more local**, **more integrated** and more reliant on **multiple energy sources**.
- **Shifting from being resources-led to customer-driven** as countries, cities and industries increasingly demand bespoke solutions for energy, mobility and decarbonization.
- And **digital is transforming** our lives as the glue connecting and integrating every aspect.

## Our strategy

Recognizing these changes, we are **focusing on three areas of activity**:

1. **Low carbon electricity and energy** –building scale in renewables and bioenergy, seeking early positions in hydrogen and CCUS – and building out a customer gas portfolio to complement these low carbon energies.
2. **Convenience and mobility** – putting customers at the heart of what we do, helping accelerate the global revolution in mobility, redefining the experience of convenience retail, and scaling bp’s presence and fuel sales in growth markets.
3. **Resilient and focused hydrocarbons** - maintaining an absolute focus on safety and operational reliability, we intend to drive capital and cost productivity up and emissions down. We will complete the ongoing wave of major projects, decreasing capital intensity and continue to high-grade the portfolio, resulting in significantly lower and more competitive production and refining throughput.

And we will leverage **three sources of differentiation for bp** – which we believe will amplify value:

1. **Integrated energy systems** along and across value chains, pulling together all our capabilities to optimise energy systems and create comprehensive offers for our customers.
2. **Partnering with countries, cities and industries** as they shape their own paths to net zero.
3. **Digital and innovation** to enable new ways to engage with customers, create efficiencies, and support new businesses.

Delivering the strategy will see us become a very different company by 2030. By then, we aim:

- for our **investment in low carbon energy** to have increased 10-fold, from around \$500 million to around \$5 billion a year;
- for **developed renewable generating capacity** to have grown 20-fold from 2.5GW in 2019 to around 50GW, net to bp;
- for our **bioenergy** production to have risen from 22,000 b/d to more than 100,000 b/d;
- for our **hydrogen** business to have grown to have 10% share of core markets;
- for global **customer interactions** to have increased from 10 million to 20 million a day;
- for **electric vehicle charging points** to have increased from 7,500 to over 70,000;
- and that we will have built **energy partnerships** with 10-15 major cities around the world and three core industries.

Over the same time period our **oil and gas production is expected to reduce by at least a million barrels of oil equivalent a day**, or 40%, from current levels, while our remaining hydrocarbon portfolio is expected to be more cost and carbon resilient.

While we will not enter new countries to explore, **our hydrocarbons business will be industry-leading in terms of quality and highly prized.**

**We are not turning our back on oil and gas**, as many will understandably ask. Hydrocarbons are key to our transformation and will be key to bp for decades to come. They are a core part of our strategy and, in fact, they enable the strategy.

What we are saying is that **we will no longer be primarily a hydrocarbon company** – we will be an Integrated Energy Company with hydrocarbons a smaller part, but core to bp as an engine of value creation and the enabler of our transformation.

And, of course, we will continue to work hard to make our hydrocarbons business better, more resilient to lower prices, and lower emissions.

Governments in many countries around the world have entrusted us with the development of their resources. That responsibility is no less important today than it was yesterday.

Finally, throughout our transformation process, our commitment to safety remains consistent and unwavering. It is and will remain our core value permeating everything we do.

## **Delivering net zero**

By 2030, we aim to have delivered significant progress towards our ambition of becoming **net zero by 2050** or sooner, by:

- Cutting emissions from operations to **30-35% less** than in 2019
- Reducing emissions associated with the **carbon in our upstream oil and gas production to 35-40% less** than in 2019
- Reducing the **carbon intensity** of marketed products by 15% or more than in 2019.

Our whole strategy is underpinned by a **new sustainability frame** and **advocacy** for policies that support net zero.

We will move fast, but **with discipline and care**, so that we **perform as we transform** – with a **relentless focus on safety and operational excellence**.

And we are **not starting from scratch**:

- Lightsource bp, bp Chargemaster, bp Bunge Bioenergia, and bp Wind, are all established and growing.
- We are partnering with DiDi in China – the world's leading mobile transportation platform, in the country that has half of all the world's electric vehicles.
- We have industry-leading convenience partnerships with M&S in the UK and Rewe in Germany.

We have relationships with governments, partners and communities in 79 countries around the globe – thousands of scientists, technologists and engineers – and more than 110 years of experience delivering some of the most complex and challenging projects imaginable.

This is a difficult **balancing act** – and progress is not going to be a straight line. Collaboration and challenge have shaped our new strategy and will be a vital part of its delivery.

But we see **real opportunity** in the transition and believe **our new strategy** gets the balance right.

## **Creating value for our shareholders**

We are also introducing a **new financial frame** and **investor proposition** that will support delivery of the strategy.

We will not break the bank to grow our low carbon portfolio and deliver our net zero ambition. In fact, our planned ten-fold increase in low carbon spend will take place within capex guardrails of \$14-16 billion.

That means that \$9-11 billion will still be directed to oil and gas, which is smaller but still significant. Hurdle rates for all investments will be strictly adhered to.

In order to do all this, while also dealing with the uncertainties of the Covid-19 pandemic, **the Board has reset the dividend to a resilient level of 5.25 cents per share per quarter** intended to remain fixed at this level, subject to the Board's discretion each quarter.

Also, **a commitment to return at least 60% of surplus cash to shareholders through share buybacks**, once bp's balance sheet has been deleveraged and subject to maintaining a strong investment grade credit rating.

The combination of strategy and financial frame is designed to provide a **coherent and compelling investor proposition** and to create long-term value for our shareholders.