BP 4Q 2024 Results: Webcast Q&A Transcript

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Q&A TRANSCRIPT

Murray Auchincloss: Kate and I will be delighted to take your questions. Thank you. No questions on the line yet. Let's see. Where should we start? Michele, why don't we start with you. Please limit yourself to two questions, if you can.

Michele Della Vigna (Goldman Sachs): It'll only be two, and congratulations on the strong results. Two questions if I may. The first one, when you talk about an 'A' range credit metrics through the cycle, is there a simplistic way to bring it down to a net debt level that you would like to achieve in the course of the coming years? And my second question is on the transition growth engines, clearly, you've got a very ambitious target in terms of EBITDA in 2025. It's more than a tripling of EBITDA, which goes well beyond the volume growth. I was wondering if you could help us understand where that increase in EBITDA margins would come from. Is it cost, is it price? Is it cost cutting and integration of the likes of Lightsource bp? Thank you.

Murray Auchincloss: Fantastic, thanks, Michelle. I'll take the second question first, and then, Kate, I'll hand over to you for the balance sheet question. On the TGEs, it's an aggressive growth profile from around $1 billion in 2023 to $3 to $4 billion by 2025. If you think about what we've done over the past few years, we've brought an awful lot of companies in and now need to bring them in, standardise them, and drive that growth through them. So the march from $1 billion to $3 to $4 billion, it starts with Archaea. We went slow on purpose to get the design right for rapid replication. We're now in action. We've got five plants online, we'll do four or five a quarter. Now, marching forward over the next eight quarters, in TravelCenters of America, we brought it in. We're starting to deliver the synergies inside that. We see tremendous opportunity to introduce biofuels into it, to enhance margins. We are probably going to beat the synergies on that. The company was not as efficient as we thought it might have been, so that delivers more opportunity as well. We'll have Lightsource bp coming in, that'll allow us to grow that business and absorb that EBITDA as well. And in Emma's business, we do continue to see really strong growth despite recessionary forces in convenience, 9% year on year[1] despite recession, despite Covid, you name it, we've got a fantastic team that we brought in that's really driving growth in that space as well. EV earnings positive in two countries will get everything to break even by 2025 as well. And of course, we'll really tighten the focus on origination, not spend as much money on origination and really focus on what we're going to deliver moving forward. So I feel comfortable, it's a bold target to hit $3 to $4 billion, but I feel comfortable with it based on what we've done and look forward to reporting back to you on that over the coming quarters. Kate?

[1] Convenience gross margin excluding TA

Kate Thomson: Thanks. Morning, Michele. Thanks for your question. Let me just step back a minute and just make sure everyone's still very clear. The balance sheet and the credit rating, the strong investment grade credit rating remains a second priority that's fundamental to us. I think resilience of the company from a financial position is more than just net debt. And I like the way that the credit rating agencies think about the ratio, and the cash that we're generating versus the total of our debt like liabilities. I think that's a good measure of resilience. The change we're making today, which is moving away from targeting progress within the rating to being clear around progress within the metrics, is I've got control over that. We've got a great relationship with the rating agents. We speak to them very regularly, but we can't control the rating outcome and neither should we. We did get upgraded by Fitch in November. We remain on positive outlook with S&P and media. So let's see. We are well within the metrics for an upgrade, but that's for them to decide. But from my perspective, it's around making sure that we are maintaining a balance sheet that is resilient, allows us to see through volatility, allows us to tolerate an environment that is going to move, but also cash flows that are going to move around within quarters.

So, you've seen from the guidance we're guiding to heavier capital in the first half and heavier divestments in the second half, you're going to see our net debt move around. That's okay. We strengthened it so significantly in the last few years down to this level, which is the lowest in a decade. That gives us a lot of confidence that we can tolerate that level of momentum. So I'm not going to put a net debt target out, I'm going to tell you I'm comfortable with where it sits right now and our ability to tolerate movement and remind you that we will continue to put around 20% of our surplus cashflow to the balance sheet. So it's going to continue to deleverage just at a slightly slower pace.

Murray Auchincloss: Thanks, Kate. Biraj?

Biraj Borkhataria (RBC): Hi there. It's Biraj Borkhataria, RBC. I've got two questions. The first one's on your EBITDA targets, more for 2030 than 2025. In the footnote when you presented that in the past, you'll say capex at the higher end of the range, and in 2022, you were at $16 billion, in 2023, $16 billion, and now you're guiding to the middle for 2024 and 2025. So basically, half the plan. So could you talk about the sort of, let's say EBITDA sacrifice for not spending that extra $2 billion and where it's coming from and how to think about that. And then the second question is on dividend. So you referenced the 4% at $60 per barrel, are you looking to explicitly link that to the buybacks? You're obviously buying back shares faster than any of your peers as your chart's showing. Or do you see them as two separate things in your preference for the buyback? Thank you.

Murray Auchincloss: Great. I'll tackle the first one, Kate, you grab the second one. So the long-term guidance on capital frame has not changed, $14 to $18 billion through the decade. What we are changing is we're getting more disciplined with the 2024 and 2025 year tightening in on a $16 billion range for these two years. I think the way that I relate to this, Biraj, is that we've done a lot of acquisitions recently. EDF, Archaea, TravelCenters of America, Lightsource bp. These are big transactions, they represent north of 12% of our overall value, which is similar to some of the big transactions you've seen in the United States from some of our competitors on an equity basis. And it's injecting a lot of people into the business, 19,000 alone inside TravelCenters of America. So it's time now to pause on acquisitions. We might do a few more, but to pause on them and instead focus on that hard work of integrating the systems, the people, the processes, the cultures of these entities. And that's really what we're focused on right now. As far as an EBITDA sacrifice, I remain very comfortable with our 2025 targets. I think in a 2030 sense, we haven't really deviated from the 2025 to 2030 timeframe. So it's not anything material. So I think the latest numbers adjusted, give or take on our $46 to $49 billion target in 2025, we're at about $44 billion. So I'm feeling pretty good about that as well. Strong growth inside the upstream. And so, I feel comfortable about 2025, no change to 2030 at this stage. And in due course, we'll update the market too on what we're thinking about for targets for 2030. Those, of course, are aims right now. Hope that helps. And over to Kate.

Kate Thomson: Thanks, Biraj. Morning. So on dividends, look, making sure that it's a resilient dividend is really important to us, which is why we're keeping it as our first priority in the financial frame today. The reason we haven't created, and I don't think we should create a link to share buyback, is of course with the share buyback progress, the share count reduction occurs over time. We've got a very significant decrease in our share count reduction to date that's going to continue given what we've just laid out today. That gives the board an ability to move the dividend per share up. But of course, the board is going to take into consideration facts and circumstances every quarter as it looks at the dividends, which will be depending on cash flow generation to date, what the outlook looks like, environment, momentum. And they will take that decision as and when we get to each quarter. I don't think linking it to a particular buyback share count reduction is helpful because it removes flexibility. We want to retain flexibility so that when we're considering it as a board, we can take into consideration that basket of considerations that will allow us to make the right decision for the company and the shareholders.

Murray Auchincloss: I think balance point's the key, isn't it? That's the thing that we feel really, really anchored to is that balance point of affordability on the dividend at $40 per barrel Brent, $11 per barrel RMM, $3 per million British thermal units Henry Hub. And of course, share account reduction helps drive that balance point down. But balance point is what we're obsessed about. Chris?

Chris Kuplent (Bank of America): Chris Kuplent from Bank of America. Two quick questions. Murray, you've mentioned in your speech Aker bp and some of the value creation you've now achieved off balance sheet with Angola as well, and I wonder whether you can contrast against that how you're bringing Lightsource bp into fully your realm of control. We've seen the assets swap with Equinor, TA and all those acquisitions were fully owned, fully in control. So maybe you can compare and contrast a little bit why it matters to you in those situations. And my second question, Kate, I noticed the $14 billion 2-year guidance is based on current market conditions. How do you feel about current market conditions? I noticed that yes, refining margins have come down a lot, but they still sit above your balance point comment, Brent, likewise. Give us a little bit of a feel how comfortable that current market condition comment can be interpreted.

Murray Auchincloss: Yeah, great. Okay, Chris, I'll start and Kate can go second. So Aker bp, a fantastic transaction, unique circumstances associated with it. We were in declining assets late in life, made sense to exit the basin, Det Norske, our counterparty was in growth mode. But they needed cash generation to be able to grow. They just didn't have enough cash generation themselves. So we found after many years of discussions that we could bring those two companies together and create something pretty special. I don't know what the current numbers are, but it was worth about $1 billion when we did the transaction. I think it's up around $3 or $4 billion now. So, tremendous value creation for both sides. No loser inside that one.

With Lightsource bp, we had a partner that's a private individual. They have grown and scaled this business tremendously. But they've reached their max ability to finance this. So it's a little bit like the Aker bp situation where they didn't have enough cash to grow. So this was the moment in time for them to cash out for us to take over Lightsource bp. It has a couple advantages for us to structure it this way right now. Carol has a fantastic trading business and demand for natural gas coupled with solar and battery technology continues to grow and grow and grow. We're seeing some really big demand coming out, especially from cloud providers who have generative-AI (Generative Artificial Intelligence – Gen-AI) and just the demand curves are asymptotic, is that the right word? I don't know, whatever the right word is. Huge, huge demand for these things. So being able to control that entity package these things together and provide those trading options or those packages of energy is really important.

The second thing is if green hydrogen does move, you're going to want control of the developer if that happens. Why? So you avoid giving margin away to third party developers that can be quite high. So, at this moment in time, it makes an awful lot of sense to bring that in, repackage it, straighten it out, point it towards helping Carol's business helping Anja's business. And I think that creates distinctive advantage for us right now. We will continue to bring partners in for develop and flip, we'll contemplate what we do with the developer itself. Should we bring in our partner or not? That's something we'll keep thinking about and we will remain very agile. But they have different circumstances. I hope those examples give you a sense of how we think about these things, which is how do you drive maximum value through different points and cycle in these entities. So, I hope that helps answer, Chris, the question.

Kate Thomson: Chris, current market conditions. A couple of things. I'd say one is I think it's important to anchor yourself around the fact that the cash flows of our company are not driven by an oil price alone. So it's a basket of commodities, it's oil price, it's gas price, it's refining margins, you know that. And you can look at where we've been year to date so far to get a sense of where we're thinking on that. What I would say is that the confidence that we now have in our balance sheet to tolerate movements around that gives you a sense that we can be comfortable in the fact that we'll be able to distribute the $14 billion in a range around where those prices have been year to date.

If we see a fundamental disconnect in the market, then of course, we'll need to talk to the board and update you if that happens. But for now, the confidence we have in the business performance and the momentum we've got, the confidence that we've got in the strength of our balance sheet allows us to be confident that we can deliver the $14 billion at prices around where they've been year to date. That's how I hold it.

Oswald Clint (Sanford Bernstein): Thank you very much. Oswald Clint at Bernstein. It looks like, just backing out, maybe $4.5 billion of trading last year, I always like to try and dig into this. It looks like, again, as Kate was saying, you hit the 4% number, so that's great. I guess just as in this next two years, can you just talk about, again, the confidence maybe linked to that last question and points around the macro, is it at this macro you can keep doing that quantum in 2024, 2025, what, including the new businesses trading around those, just again, describe the confidence around delivering that through this year and next. And then secondly, Murray, you said they're four generations in the oil and gas business you're sitting in and then you see them. Just curious about your appetite for a little bit more liquids growth potentially through the portfolio. We have the 3% to 2027. How do you think about bringing some more through service cost inflation, all of that put together please? Thank you.

Murray Auchincloss: Maybe I'll take both of these. Sorry, Kate. Liquids, yeah, so what we told everybody in Denver is that we see the capacity to grow our oil production, so to speak, by 2% to 3% through 2027. As we look ahead over the next two years, we have some big decisions on sanctions as well that will determine what happens beyond that. So you have Cabo Frio in Brazil, you've got Kaskida and Tiber in the Gulf of Mexico and the Paleogene. You have Bay du Nord in Canada, you have clear expansion, you have Abu Dhabi expansion. I'm probably missing some that I can't think of off the top of my head, but you have these massive projects, some of which are held 100%. The Paleogene, nine billion barrels 100%.

Let's see how we go on those. And if we decide to sanction more rather than less, then I think we can do better than that 2% to 3%. But I'm not going to be focused on volume. I'm going to be super focused on returns and what's the right returns as we look across that versus the gas portfolio as well. There's a plethora of potential gas sanctions as well. So I think that's the task of two years ahead. That's why I highlighted it. Our reserve replacement ratio has been a bit low in the past. It's going to get back much more competitive now as we look at these 12 to 16 sanctions across the next two years, what the volume outcome from that will be, hard to predict. We've given you two million a day by the end of the decade, 2% to 3% growth through 2027 on oil.

But I think the sanctions will really determine that. So as we get through 2024 and 2025 and decide those, then we'll update you in due course about what 2030 really looks like based on all those sanctions. So I have a bias for returns. I don't necessarily have a bias for volume or oil or gas. I'm returns biased. On trading, to have Carol's performance contract conversation in front of everybody. We remain deeply confident in our ability to generate the returns in the future that we have in the past is my starting point. If you think back to 2020, 2021, 2022, 2023, the world's seen a tremendous amount of volatility from Covid to the invasion of Ukraine to events in the Middle East to recessionary forces. That's just created incredible volatility.

As you look ahead, oil demand continues to be very strong and there's not very much spare capacity outside Saudi really. So capacity is tight. In refining, we've seen a lot of shutdowns on refineries today. The diesel complex is short. I'm sure tomorrow the gasoline complex will be short. These things keep changing because of all the outages that sit around us. Natural gas we feel okay about right now, but a cold snap in the winter in one of the years changes the position on natural gas as well. So my own sense is that the world is quite volatile. It's quite volatile, and our businesses are trading businesses set up to manage volatility and do well in a volatile time frame.

Second, we're growing the business. More liquefied natural gas (LNG), 25 million tonnes per annum by 2025 is underpinned. I think 28 by 30 is already underpinned as well by a couple contracts we've done in Oman and in Canada at Woodfibre[2]. So you can already see those coming into the portfolio. So you've got a bigger LNG portfolio to take advantage of. We've started purchasing larger positions inside power as well, so we can power couple with gas. That was EDF in the US and another transaction in Germany recently in January. So we're scaling up that.

At the same time, our biofuels is growing. More co-processing through each of our refineries. These are very capitally efficient small modules that build up five or 10 kbd of capacity quite quickly with lots of biofuel's trading, and there's lots of price volatility in that space as well. So I think we will - I think I'm very comfortable with the 4% moving forward. You might ask Carol in private time if she feels as comfortable as I do. But I think given the growth of the business, the amount of investment we're putting into it and the volatility that we see ahead, I think we're well positioned moving forward. Hope that helps, Os. Great. Why don't we go to the next question, Lydia, and then I'll go to Paul online. Lydia?

Lydia Rainforth (Barclays): Thanks. And just say, I am delighted both for you individually and for the bp for the roles you now have, and thank you also for the longevity of the guidance as well in terms of the buyback. But Murray, you've talked about wanting a simpler, higher value bp, which all sounds great because I don't think you'd ever say it's going to be more complex, but what stops you from getting there? What are your biggest challenges over that next eight quarters? And then for Kate, the buyback, you talk about at least $14 billion. So what moves you from that? Is it operational or is it purely price related? And linked to that, how do you think about Capex versus buybacks?

Murray Auchincloss: I'll let Kate handle the second set on challenges for a simplification. So I think the easiest way to think about this is the past four years has been about origination. The scale of the hopper we built in hydrogen and solar, in offshore wind, in oil and gas. Everywhere you can see we have tons of options to move forward. And the big challenge is to now get the organisation, the engineers and the commercial people to move away from origination to execution. That's the big challenge. So forcing the pace to get to decisions so we can increase cycle time to increase value, reallocating the people to the right places, and then stopping the old stuff, as always in large corporations, stopping the old stuff is a perpetual challenge.

And that's probably the challenge that leadership team and I have is really getting people to really focus on this stuff and not pursuing other things at the same time. There's a huge opportunity inside technology. We've made immense strides on digital over the past 10 years, especially in the upstream business. We've now strike struck a deal with Microsoft to be one of their founding partners on AI Copilot. We're getting it in the hands of our engineers and across the company. And trying to figure out what are the best things to go after at scale is a key challenge because the opportunities are enormous in this space. So to me, it's all about focus, if I'm honest. It's all about focus and getting the organisation to focus and then let go of the other stuff. That's the biggest challenge that we'll have moving forward. Kate?

Kate Thomson: Yep. Thanks, Lydia. Maybe I'll talk about the $14 billion and then I'll come back to your question on Capex and share buyback. So the way I think about the $14 billion, and Murray talked about the drive to 2025 and all of the confidence that we have and the

[2] Our portfolio is dynamic – both in contracts and projects. We have contracted an additional 3 mtpa from Oman and Canada post 2025. Our focus is always on value over volume, and 2030 portfolio outcome will reflect these factors.

momentum that's currently around the company, the operations are performing really well. We've got a number of things that come online over the next two years that gives us enormous confidence in terms of the underlying operations and our ability to deliver the business outcome. So that bit I don't feel is in the picture in terms of deciding where we go with the $14 billion. For me, it's really about environment. And if there's a fundamental change in the environment, then obviously our cash flows are going to change in relationship to that.

So that's why we've anchored it on current conditions. We went to current rather than reasonable because we wanted to give you something that was objective and not subjective. So that's why we went with current market conditions and what those are in terms of Capex and share buybacks. So I wouldn't interpret the tightening of the Capex guidance to $16 billion as being part of the affordability of the $14 billion. I see the Capex tightening as a real symbol of our focus on the fact that we are going to be hugely disciplined in how we allocate our capital and very much returns driven. Our sanctions have to hit hurdle[3], otherwise, we won't move them through. And I think that's really important. Murray and I are incredibly clear on that. We've done a lot of inorganic activity, which we've talked about over the last couple of years.

I think going forward, there's probably a less space for the next couple of years. I think the $16 billion feels about right based on the activity set that we've got today loaded. And the tightness that we see around, certainly the upstream yards around the world, we wouldn't really want to, couldn't really do itwell actually, if you were to take that up. So, I wouldn't link the share buyback upgrade to the capex tightening. The capex tightening is about discipline and focus. The share buyback is around the confidence that we have in the balance sheet and the underlying performance of the business to deliver. And that's what's generated our ability to upgrade and enhance.

Murray Auchincloss: Thanks, Kate. I'll go online now. Paul Cheng, Scotiabank. Paul?

Paul Cheng (Scotiabank): Thank you. Good morning. Murray, I just want to go back into your prior remarks. Say simplify. And you also in your early comment that you want to say let's go some of the previous behavior focusing on a new, more efficient. So from that standpoint, does the organisational structure need to be adjusted or can you can do all that within the current organisational structure?

Murray Auchincloss: Great. Thanks, Paul. Appreciate the question. It was a touch hard to hear you. So I think I'll try to answer the question. If I don't answer the question, let us know please. I think the question was organisation structure. Do we feel we have the right organisation structure to move to delivery? Look, we made a huge change in organisation structure back in 2020, probably the largest organisation structure in our 114-year history. I don't want to do that again. That was needed, but really demanding on people and demanding on the corporation. Some of those changes took a couple years to enact in places like Europe. So I don't want to do mass change of structure. I don't think we need to either.

However, there are places where we're inefficient and we'll do a gradual program over time of driving efficiency into the business and the structure there are places where we've

[3] Please refer to bp's Annual Report 2022 for further information on bp's balanced investment criteria.

got to overlap that we need to think about how to do it better so that that'll be something on our minds. But big corporate structural change, no changes to reporting segments. I'd prefer not. I think that's not something that's going to help delivery of our targets in 2025. But look, I'm going to challenge the corporation and challenge ourselves to simplify everywhere we can. You felt it in the buyback guidance today, simpler guidance to help the market. You'll just see us continuing to push that and push that. But I don't want to do a giant wave. Now, Paul, did I answer your question?

Paul Cheng (Scotiabank): Yeah, maybe that if I can along the way you guys have done a number of joint ventures, or that management joint venture, a lot of times is difficult. So if you're trying to make it more simplify going forward, so we assume going forward you will rely less on the joint infrastructure or that this is a different topic and you don't think it matter.

Murray Auchincloss: I don't relate to the joint venture (JV) structure as a mechanism to simplify or not on business delivery. I relate to the joint venture structure as a mechanism to more efficiently create value. So if you think back to Lightsource bp, we took it off balance sheet, we geared it up five years ago and we let it grow on its own. That decision was about giving them independence so they could grow rapidly. They've now hit the limits of that and we need to bring them back in, reset it and have a new model moving forward. But it was all a value-based decision as opposed to an efficiency-based decision.

Think about bpx in the lower 48. We decided once we bought BHP to allow that entity to have an OMS, but not an OMS that was of equivalence to our offshore businesses. And that allows it to operate more freely, access acreage faster, do contracting faster, et cetera. So for solar and bpx, we felt that that separate model would help them deliver more efficiently. So, to me, the structure that we use is all about how do you create maximum value. That's how I think about it. And that's how we'll continue to think about it moving forward. Thanks for the question, Paul. Just back on the line, one more and then we'll come back into the room. Roger Read, please, Roger?

Roger Read (Wells Fargo): Yeah, thanks. Good morning, everybody. I guess probably coming back around a couple of the questions I already been asked, I just want to make sure I understand. On the improvement in EBITDA that you're looking at for a $70 base Brent, is there a way to think about that from how much is likely from let's call it the conventional production side, whether it's the gas or the oil piece, and is that a mix issue with these new projects coming in, or is there something else in terms of an OPEX reduction we should be paying attention to?

That's kind of question number one. And then in terms of the financial frame on the returns here of capital, and I appreciate the clarity - I think that's a nice step forward. If I think about your returns as a percentage of EBITDA compared to some of your peers, it's still on the lower end. So I'm just wondering, do you think about it as strictly what bp's capable of or do you want to try to close the gap longer term with peers in terms of call it ratios or percentage metrics?

Murray Auchincloss: Great, I'll let Kate answer the second one. On EBITDA - so just 2025 is I think what your question is, Roger - I hope so, because I don't have 2030 numbers as tightly in my head. But for 2025, if you normalise 2023 to 2025 conditions, we're at $44 billion of EBITDA, moving towards $46 to $49 billion in 2025. We obviously have growth in the upstream that we've been talking about. There are divestments along the way that may or may not happen. Some of these ones are pretty tricky. But there are some potential divestments we've talked about in the past that may be part of that mix as well. But the new projects that are coming on are of higher quality to the existing business. I think the uplift is about 15 to 20%. So you should see margin mix impact from the upstream across the time period.

So that's first part of your question.

Additionally, we talked about the transition growth engines earlier. We see growth of EBITDA from $1 billion up to $3 to $4 billion, based on the acquisitions we've done and the direction to travel with the rest. So I think that should help you think about how we get into that $46 to $49 billion EBITDA realm. Probably the first half of it is the historical oil and gas business and refining business. And the second half is the transition growth engines as well. I feel pretty underpinned on the $46 to $49 billion EBITDA, to be honest. I think we'll hit that quite easily. Kate?

Kate Thomson: Yeah, thanks. And morning, very early morning for you, Roger. Thank you for joining us today. Let me step back a little bit. So, if you think about our balance sheet and where we were in 2020, we had net debt of over $50 billion. And I think you could argue we're starting from perhaps slightly different place than some of our peers. And the focus that we have put into strengthening the balance sheet and putting 40% of surplus to that balance sheet and de-leverage over the last few years, I think has been really, really important.

And it, as we've said today, a number of times, it's taken us to a place now where we are stronger than we were. We've got confidence that our balance sheet can tolerate movements and that has allowed us to do more with regard to shareholder distributions and move to the 80%. We feel that's in line with our peers. And so, it's very much around the journey that we've taken to get to where we are today. Today, with what we're announcing with our predictable, simplified, enhanced guidance, we feel that that very much puts us in line with our peer group.

Murray Auchincloss: Good. Thanks, Roger. Why don't we come back to the room?

Josh Stone (UBS): Thanks. Hi, it's Josh Stone here from UBS. Two questions please. Firstly, you haven't made any reference to emissions today. You revised your Scope 3 emission target this time last year. Just how comfortable do you feel with that target for 2030? Are there some easy wins you can do to reduce emissions and still maintain value? And then second question for Kate on working capital, you mentioned there was a large release related to LNG. Just can you remind us, is there anything left to release on the LNG side? Thank you.

Murray Auchincloss: Sure. On emissions. So, we'll update our emissions in the Annual Report & Accounts) ARA for what we actually achieved in 2023. We're still busy calculating that, as you can imagine, but I think we've got strong progress on Scope 1 and Scope 2 emissions from our company. We continue on with the drive to hit 50% reduction emissions from Scope 1 and Scope 2 by 2030. That's engineering. It's pure and simple engineering. Now, it's big programs like you'll see in Indonesia of taking carbon, injecting it into the reservoir, getting more natural gas out, the carbon stays entrained and there's less emissions for the planet. So those are the kind of things that we'll be doing. Gordon has a very precise list of projects that we'll work our way through over the next four or five years to hit that particular target.

I mentioned earlier Aim 4, which was about methane reduction - we hit an incredible milestone. Huge compliments to Gordon and the team for putting methane measurement in place across the oil and gas business. That's demanded new engineering, new technologies working internally and externally to get to that result. Really proud of it because it's the most important thing for the planet is that we reduce these methane emissions. We'll, of course, be sharing this technology and this learning with anybody inside the sector who wants to.

On aim 3, the product mix changes. The product mix just changes over time.

You could hear what I was saying about more electrons being sold. So we have fuel stations where we sell fuel. Some of that's migrating towards electrification as an example. And I think sales of electricity we're over 150% up on the previous year. So no concerns with the direction of travel we have right now. And we are seeing strong adoption. And we think things like Lightsource bp will help us immensely on this journey as well. So we can couple lower carbon offers with natural gas offers to customers as well. So, no change to what we're thinking as far as the Aims go, Kate?

Kate Thomson: Thanks, Josh. So back at the third quarter results, I talked about around $3 billion still to come in terms of LNG delivery. As you saw, we've got around about a $2 billion working capital release in the fourth quarter 2023. Most of that is related to LNG delivery, so I would hold it that there's about $1 billion left to come as those deliver through the course of the first half of the year 2024.

Murray Auchincloss: Thanks, Kate. Martijn?

Martijn Rats (Morgan Stanley): Yeah. Hi. Hello, it's Martijn Rats, Morgan Stanley. Lots of positives in the set of results. I mean, you're giving us an awful lot to work with, so that is great. But I did want to ask you two things. I wanted to ask about the impairments because in the fourth quarter there were still some impairments and we tend to sort of shake them off and say, well, non-cash, but it was cash once. Is there some common denominator in these impairments? Perhaps you can sort of say a few words about that. And the other one I wanted to ask about, the activist shareholder letter. If you had any response to that. I know it's a small investor, but nevertheless was sort of intriguing.

Murray Auchincloss: Why don't you start with impairments, Kate?

Kate Thomson: Yeah, thanks, Martijn. So, impairments, yeah, as you would expect, every quarter we look for potential impairment triggers. In the fourth quarter, there are a number of things that come together. We update our price perspective. We update our group discount rate. We've got our changes to reserves. And you put all of those assumptions together. And so, it's a confluence of a number of things coming together that cause impairments. So a theme around updates to prices and rates coupled with some other things that are going on.

For example, one of the things I would talk about I think in the stock exchange announcement, we do reference bpx. We were out in Denver. We are unwavering in our confidence with regard to bpx. There's a couple of things going on in that number. And it's price and discount rates, but it's also some acreage swaps that's driving that. So you shouldn't interpret the impairments of having any impact on our EBITDA targets in 2025. If there are some changes on reserves, we may see some downward trend in terms of volumes from one part of our portfolio, but they're offset by upward trends and other parts of the portfolio. So we're comfortable.

Murray Auchincloss: And then on your second question, Martijn. Look, we welcome constructive engagement with all shareholders. I think that's an important thing as a publicly traded company. We disagree with their assertions. We just disagree with them if I'm honest. We run an integrated model. I think you've heard me talk about integration quite a bit today, and we think we do it fairly well.

We're really proud to be bringing Lightsource bp in. It has a strong track record of delivery. It's a top five solar producer globally. And it's achieved mid-teens returns over the past five years in their development model. And we've obviously been in power for a long time, 15 years now in the US in integrated power onshore. So we do quite a lot with electricity across our business coupling and with gas, I think we're number one in gas and number two or three on any day in power trading in the United States.

And on offshore wind, as we've said before, our returns hurdles on offshore wind are 6% to 8% on levered. By the time you lever it up, by the time you farm it down and bring in a partner, by the time you integrate it into our business, you're well into double digit returns. And that competes well with the rest of our business.

So we're happy with our strategy. Direction is unchanged. You'll see us be much more focused, much simpler, and very, very returns focused, but we're very happy with direction of travel. And the shareholders I talked to are happy as well.

Next question in the room?

[NO AUDIO TO LUCAS' FIRST QUESTION]

Lucas Herrmann (Exane): And the second one is, it goes back to the customer's business and just 2019, the guidance for 2025 of $7 billion of EBITDA from the $5 billion base. Four years on, three years on with $4.3 billion or so of EBITDA. You're indicating $1 billion or so of further improvement from transition growth engines in that business. There's obviously something that comes from TravelCenters, so help me bridge the gap.

Murray Auchincloss: Sure. I'll take the second one while Kate looks at the working capital question. On Convenience & Mobility (C&M), we have a target to get to $7 billion EBITDA in 2025. I feel okay about it. I think is the way I'd say it. We're $4 billion and a bit right now. TravelCenters comes in for a full year. Castrol has now started to show a trend, five quarters in a row, gradually creeping up. That's good. Convenience growing 9% year on year, that's good. And that continues. Electrification moving from a loss to positive. So it's a lot of small movements we see that start to drive it up.

Something we don't control is the fuel margin. And the fuel margins have been unusual in this time period. They've swung into the refineries as opposed to into the service stations itself. I can't predict how that's going to turn out in 2025, I just really can't predict that. But there's probably $1 billion EBITDA of swing on that. So you might see a number of $6 to $7 [billion EBITDA] in C&M in 2025, but the $1 billion is likely to be in the refineries instead. I just can't predict it, Lucas, because it's really, it's difficult to predict where that margin is swinging up and down that value chain. So because we run an integrated value chain, I feel comfortable with $46 to $49 billion EBITDA. It just may be $6 billion as opposed to $7 billion in C&M and it may be a bit higher inside our refineries.

So, that's how I get comfortable that I can see that path. It's been a tremendously challenging time period for that business. When you think about Covid and lack of travel, when you think about how long the lockdowns occurred inside China, when you think of the inflationary pressures and the recession, it's been a hard slog for Emma and the team. But I now feel they're back up and on it and we're really starting to drive digitisation and offshoring into that business as well. So that'll be another lever that we get there. So that's how I'm thinking about it, Lucas.

Kate, over to you on working capital.

Kate Thomson: Yeah, so on working capital in terms of the detailed notes around what's going on in underlying working capital - the $9 billion release is really a function of what happened back in 2022 where we saw that huge spike in gas prices. That's now largely unwound, as you've heard me say this morning. We feel we've got about $1 billion dollars left of unwind to come through, which is going to be one change in the working capital going forward in 2024. But the $9 billion that you see in the 2023 results to date is largely a function of what happened in 2022 and the unwind of that position.

Lucas Herrmann (Exane): Let me just make sure we're understanding each other. And we can take it offline if easier. I'm looking at $6.3 billion of outflow, movement in inventories, et cetera in 2022, another $3.3 billion this year, which I assumed to be working capital, or flows out, largely working capital associated. A chunk of it last year with LNG. Much of that money has come back. I'm still unclear as to why the negatives in the cash flow were of that scale. And they seem to be predominantly around inventory or am I misunderstood?

Kate Thomson: There will be movements in inventory, there'll be changes in valuation of RINs, of emissions allowances and all those kind of things flow through. German MOT. We can take you through a reconciliation and take you through how it builds up if that's helpful. But I'd suggest we do that offline.

Murray Auchincloss: Okay. Thanks Lucas. Al Syme at the back of the room please.

Alastair Syme (Citi): Thanks, Murray. Can I ask, the focus or the theme today is about operational delivery over the next a couple of years and sort of scale back in M&A to some extent, but you find yourself with a pretty strong balance sheet at a time of high rates putting a lot of stress on transition players. And also, perhaps in the US shale. There's a lot of private players trying to exit. How do you think about utilising that balance sheet versus the option of buybacks, which is where you are choosing to allocate?

Murray Auchincloss: Yep. Thanks, Al. I guess I start from the position that we've done a lot. We've already done a lot with EDF, Lightsource bp, Archaea, TravelCenters of America (TA). And there are only so many of these things you can do at once and deliver them effectively. So, we probably have got one or two more in us for the next couple years. And then that's about the saturation point that you can actually integrate these things effectively. That's the starting thought I have. I'm very countercyclical. That's why you saw us do Lightsource bp when we did, because it was a nice countercyclical opportunity. And TA as well. So I'm very focused on when you can do countercyclical opportunities. So I am sympathetic to that. But there's just only so much that the corporation can absorb at once and get the systems right, the processes right, the culture right. That's what's so critical for us.

Natural gas in the US, let's see where gas prices go, certainly there's the chance that gas prices get suppressed. Would you think about doing something countercyclical in gas if an opportunity came up? Maybe. But I've got 22 trillion cubic feet (Tcf) of natural gas inside bpx right now between the Haynesville and the Eagle Ford. So it would almost have to be super cheap or free for me to contemplate that given that we've got so many years of development ahead of us with natural gas with the resources we have in the best place in the United States right now. So I believe in countercyclical, that's what we've done. We're probably getting close to the limit of what we can do to effectively integrate it. And that's what's the driving consideration in my mind as I think about slowing down a little bit moving forward. Hope that helps Al. Sorry, you've got one more follow up.

Alastair Syme (Citi): On bpx, would you do more liquids in the Permian rather than gas?

Murray Auchincloss: Yeah. Liquids. I think we've got 8 to 10 years of runway right now with infill drilling. I'll think counter cyclically. So you'll do acreage swaps, which we're doing all the time in the bpx. I think we've done three big acreage swaps over the past few years that we don't talk about very much. So certainly, they're focused on those types of things. But with oil around $80 per barrel, I'd wait until oil dipped before I did that. I'm sure oil will dip again to $60 per barrel sometime in the future, at some time I can't predict. And that's the time when you use the stronger balance sheet to go countercyclical is how I think about it Al. Thank you.

Peter Low (Redburn Atlantic): Hi, it's Peter Low from Redburn Atlantic. First question, just on bpx, it was a strong production number in the quarter. Can you talk a bit about when you're expecting the next two central processing facilities to start up? And should we think that kind of when they come online that will result in kind of an immediate step up in production or are they filled more gradually? And then the second question was just on LNG and the target to increase that portfolio to 25 million tonnes per annum. Does that include any volumes from Venture Global? And can you perhaps update what's happening there? Thanks.

Murray Auchincloss: Yeah. So you want to start with bpx?

Kate Thomson: Great. Yeah, so thanks, Peter. On bpx. Checkmate is tracking well to be online this year, and the final one comes online next year. The way to hold it is that we're paying at around about a $500 million of our capital in bpx into completing this infrastructure build out. That will then allow us to fill it, which is really important - so a drill and fill perspective. And then we'll be able to take that capital and use it to put into our effective production drilling activity rather than using it to carry on completing the infrastructure. So that's going to help as well. So that's kind of the way to hold it, is we're going to be able to fill those gathering units and then we're going to be able to redirect that capital to more productive uses as well.

Murray Auchincloss: Great. Thanks, Kate. On LNG build out, we're 23 million tonnes per annum in 2023; 25 million tonnes per annum in 2025 is the target ("25-by-25"). We expect to get additional volumes, as you say, from Venture Global, Tortue and Beach. If you go check the numbers, those add up to way more than 25 million tonnes per annum[4]. So that's why we feel very comfortable with "25-by-25". I'll be surprised if we're not higher than that, but let's not set too hard of a performance contract for Carol in the room. As far as Venture Global itself, it continues in commercial dispute. I'm not going to get into any details on it other than to say that we will enforce our rights rigorously.

Great. One more question in the room, then we'll go back to the lines.

Kim Fustier (HSBC): Thank you. It's Kim Fustier from HSBC. You wrote off the vast majority of your initial $1.1 billion investment into US offshore wind, that was the Equinor JV. What's the path forward for those projects? And do you think enough has changed in your decision-making processes to ensure that something like this doesn't happen again going forward? Secondly, I just wanted to ask about the robustness of project economics in the low carbon space in the US. If the incentives were to change for whatever reason. Thank you.

Murray Auchincloss: Sure. I guess maybe I'll tackle both of those. On the East Coast venture with Equinor - over time what we've decided is that integrated delivery models are much more important for us than a PPA-like model. Empire really is a PPA model, so it was time to divorce ourselves, let Equinor carry forward with that, they want to do that. And for ourselves, we'll step away from that one. In exchange, we got some land that we can monetise as well as Beacon. Beacon is 2.5 gigawatts. It stands the chance for integration. So we're number one gas trader in the United States, number two or three in power. We see the capacity to absorb that into that book and create some interesting value. We will take our time to do this. We're not in any rush. The US really needs to build out. And of course we'll bring in partners, et cetera over time. So that's how we're thinking about that.

As far as decision making quality, I think back in 2020, we were taking this as a first step into the basin, recognising that we were paying a premium to learn. We learned and we move on from that is, I think, the best way for me to describe it moving forward. Economics in low carbon, incentives, et cetera - I think we just need to remember the incentives exist everywhere inside the energy space across the United States and across most countries in the world. There is an equal incentive in oil and gas called the Intangible Drilling Credit, as there is on RINs, as there is on the IRA. So the US is a place that incentivises energy provision across a wide range. Sometimes we get a little bit forgetful, and we think it's only new energies that have those incentives. That is not true.

As far as the new energies themselves, I think Caroll, with the Archaea model, we feel very good without the incentives to drive forward well above our returns thresholds if

[4] bp guidance remains 25mtpa by 2025.

those incentives moved away. But to be honest, those incentives have been in place since the early 1970s. They've come and gone in different guises, but biogas and biofuels in particular have had all kinds of incentives, if not at the federal level, then at the state level as different constituencies want to transition. Hydrogen in particular right now will be a place we have to watch. What happens, new regulations came out from the IRS that we're providing comments on. We'll just have to see how that progresses and what the nation decides to do. They have the choice to continue to accelerate, or they have the choice to decelerate that particular space. And we'll just have to pragmatically react to how the United States decides to move these things forward. But we have lots of opportunities inside Europe, lots of opportunities inside Australia, so we can always pivot to what the best returns are inside the portfolio. Hope that helps with those questions. Why don't we go back online now, Ryan, please.

Ryan Todd (Piper Sandler): Thanks. Maybe a couple for me on the refining side of the business. Products results were quite weak this quarter. You've had a lot of moving pieces in the portfolio in recent years and even though margins were weaker in fourth quarter than they've been of late, they were still particularly seasonally, relatively solid and above mid-cycle in most places. And you posted a loss in the business. So, as we think about the earnings power of your refining business, can you help us understand on the quarter, maybe some of the moving pieces, where the one-offs or specific trends that might have been headwinds? Was it a trading issue, a matter of specific hit, or how should we think about what was or was not repeatable on this fourth quarter?

And then a second question on Lightsource bp, you referenced mid-teens returns over the last five years, which is very impressive. We don't have a lot of visibility on that, maybe we'll get more going forward, but as you look over the next five years, could you maybe talk about some things that have or have not changed in the environment particularly as you think about the build and farm down business. Are margins compressing on that side or not? How do you think about margins over the next five based on trends in that business versus the last five? Thanks.

Murray Auchincloss: Super. Thanks, Ryan. Kate, do you want to take refineries? I'll take Lightsource bp.

Kate Thomson: Sure. Thanks, Ryan. Morning. Thank you for the question. In terms of the refining portfolio, we did signal a significant level of turnaround activity and maintenance in the fourth quarter. And it was a very heavy quarter. As I said, thinking my prepared remarks, we had a full site turnaround at Castellon, and we also had unit level TARs at two other refineries. So if you look at what's going on, I think - credit to the team - our availability is really high. So we're at 96.1% for the quarter. Our utilisation as a consequence of the level of activity in those refinery turnarounds was down to around 84%. That's really what's driving it, coupled with the slight drop in margins that you recognise. But yeah, it's around the level of activity that we are putting through those refineries to upgrade and make sure that they are maintained and solid, as opposed to what's going on in the refining margin environment.

Murray Auchincloss: Yeah, I think if you adjusted for those, Kate, they'd be quite comfortably profitable in line with expectation. As far as Lightsource bp and trends, so as I talked about over the past few years, that's what the returns cycle has been. As interest rates have risen in 2023, it's been quite difficult to get prices and interest rates to match in a develop and flip model. In Australia, Lightsource bp was able to move transactions forward. In Europe, they were able to move transactions forward. So there wasn't a disparity between price and discount rate. But the United States was a challenge and it was a challenge on pricing to get price high enough to match the discount rates, so they slowed down the program in the United States. That'll be something that picks back up as we see interest rates drop through 2024 and 2025. You guys will be able to guess interest rate trends better than I will. But we all read the same stuff in the media, I am sure.

So I think that's one particular trend. We do see lots of capacity for solar. There are more and more countries that are starting to develop solar. So I don't feel supply chain bottlenecks happening and demand just continues to skyrocket. And I think especially the trend that is interesting is GenAI, and I think the more and more that corporations and individuals use GenAI, we'll see more and more demand for power. And I think we're going to need every little bit of renewables and natural gas we possibly can to help power the world's systems, given that expansive demand inside GenAI. So, hope that gives a super high level overview, Ryan, for the question. Anybody back in the room? Irene.

Irene Himona (Société Générale): Thank you, Irene Himona, Société Générale. Murray, you highlighted how moving from origination to execution is going to be key to delivering operational excellence. I'm curious as to how you do that in practice. So, what levers do you have to drive a sort of working cultural change day to day? My second question, you highlighted throughout the presentation the amazing volatility we've obviously had in the last three or four years. If we do find ourselves in a world of $60 per barrel, how I understand we will still get 80% of surplus cash as buyback. How should I think of the flexibility of this $16 billion of capex, which you announced today in that scenario? Thank you.

Murray Auchincloss: Yep. Great. Thanks, Irene. Culture - I suppose it’s where we as leaders inside the team place our emphasis. Do we place the emphasis and the encouragement for new stuff, or do we encourage people to get on with sanction and move forward? So there’s something about, as a leadership team, we need to shift our focus to the execution side. And then equally importantly, how do we align third party contractors on that basis? How do we make sure the supply chains are robust and how do we gain confidence in that what we're doing will be as efficient as it possibly can be.

So, I don't think it's a material challenge to start constructing. The material challenge will be to turn off the old stuff and all the other things. That's the material challenge that we have, that each and every one of us as leaders is constantly focusing on. And I'm looking at Leigh-Ann Russell who runs our digital. Everybody wants to spend lots of money on digital and do their favorite programs. The key is in really, really getting control on that and focusing it down to only the big things that matter. So, I don't know, maybe not every company is like us, but that's always our challenge is turning off the old stuff.

In $60 per barrel world, we actually have quite a bit of flexibility - you’d change your oil and gas drilling plans and we've got quite a bit of flexibility across the portfolio to swing capex down materially if we needed to. Kate, I don't know, would you like to add anything to that one?

Kate Thomson: I think that's absolutely right, Murray. I think where we started 2023, we were at $16 to 18 billion, and as we went through, we tightened that right down as well so by the time that we got to 3Q, we were saying around $16 billion. And I think for me, the most important thing is creating the right level of focus. As you'd expect at this stage, we've probably got a fair bit of capex committed for 2024, and as Murray said, we've got a lot more flexibility with regard to 2025. And I would hold bpx as my big optionality within that frame to move things up and down if we need to make fast reactions. But what I would say is that the strength of the balance sheet and resilience we've created as a consequence of that, means that we don't have to make sharp reactions and we can take our time, but we have flexibility.

Murray Auchincloss: Great. Thanks, Irene. Let's go to online again. Bertrand, please.

Bertrand Hodee (Kepler Cheuvreux): Yes. Thank you for taking my question and congratulations for the results, Murray and Kate, and the clarity of the overall message. Two questions, if I may. So one follow up on offshore wind. Do you have plans for Final Investment Decision (FID) in the next two years by example in the UK? And the second question is as you mentioned reserve replacement ratio was quite low for both 2022 and 2023, reserve to production life, SEC basis, is just around eight years. And this is by the way, where you want to sit in the coming years. Can you remind us why eight years is the right number for bp going forward? Thank you.

Murray Auchincloss: Great. Thanks, Bertrand. I can take the reserve replacement ratio. Kate, do you want to think about FIDs for offshore UK? Go ahead.

Kate Thomson: Yeah, so I would say the UK offshore wind projects are progressing well. We've got good clarity around grid connections, which is one of the most important things. So we'll be moving through that. In terms of FID, probably not this side of the end of 2025, but probably early once we get to the other side of that. As I say, we're progressing well, we've got clarity on grid connections – those are the most important things to give us certainty as we move towards FID and we're working hard with making sure that the supply chain is set up.

There has been quite a lot of inflation inside the supply chain for offshore wind, right across the remit of what we require. So we're managing that as we approach FID and as I said, we'll take that decision as we get clarity and as we're confident on the return situation. And let's see how the political environment shapes up in the UK over the next two years as well. But at the moment, towards the end of the two-year timeframe, early following that, is how we're thinking about it currently.

Murray Auchincloss: I think on reserve replacement ratio, I'm happy at eight years, we talked about eight at Denver. It's a conservative eight, I think is a way to think about this. Over time, we've really, really tightened the definition of what reserves you can book to a place of conservatism, where this eight is would've probably been much higher a decade ago. So I think that's just the first thing to have in your mind. Second, I worry more about proved developed reserve replacement ratio than I do total proved reserves. And as long as you're 90% plus, I feel good about the ability to sustain a business of our scale.

And when you see the ARA, you'll see that our numbers are looking very good on improved developed replacement ratio moving forward. Then obviously, all these sanctions will drive our Proved Undeveloped (PUD) bookings up higher as we sanction these things across the next two years. So I think it's a bit more conservative than it has been in the past. And that's why it feels okay to me, Bertrand, hope that helps. Any more questions in the room? I got two more online.

Giacomo Romeo (Jefferies): Thank you. Giacomo Romeo, Jefferies. First question is on your convenience and EV charging EBITDA targets. Obviously, you don't give us a split and it's understandable. Just like to understand how much these, the outlook split between the two, has changed in your mind over time. I've noticed that your customer touch points perhaps are not growing as fast as you thought. That's potentially impacted your convenience EBITDA growth, but perhaps you're accelerating growth on EV charging. So just try to understand how you're thinking how you're going to get to those 2025 and 2030 targets in your mind and how that has changed. And if I can ask clarification on your definition of current market conditions in the context of your buyback plan. Very welcome the visibility, just trying to understand, as you mentioned, Murray, it's a volatile macroenvironment. How much willing are you to lean on the balance sheet, if there is say blip in the macro for a couple of quarters and/or should we look at this as an 80% on whatever is the outlook for year?

Murray Auchincloss: Go for it Kate, And I'll sweep up on convenience and electrification.

Kate Thomson: So on current market conditions, I'll say what I said to start with, which is, I'd look at where our basket of commodities has been year to date. It gives you a really good sense of how we're thinking about that. We've got the ability to tolerate movements. You're going to see movements in our debt going through the next four quarters of this year based on purely what's going on inside the business without even looking at the environment because of the weighting of capex in the first half and divestments in the second half. So you're going to see it move around. I'm comfortable with that. Our net debt at $20.9 billion gives us quite an ability to tolerate that movement. And as I say, if we get a fundamental disconnect in the market, then maybe we'll take another look. But I think you should hold it as there's a fair degree of tolerance around the conditions that we've had today across oil, gas and refining.

Murray Auchincloss: And I suppose we've said that the $1.75 billion buybacks this quarter is done, and $1.75 billion in the next two quarters as well, is not subject to market conditions. So a fair degree of certainty.

On convenience and electrification. There are a lot of things that have moved over the past four years. I think just some highlights in our mind, we thought fleets would move first. But given recessionary pressures and some relief from governments, fleets have slowed down. Contrasted with that, consumers have moved faster. Mandates, preferences, whatever. We thought we'd be doing fleets as we started this, it's actually drifted more towards individual as opposed to fleets. We started with thinking about 12 countries is where we'd focus for now, given adoption levels, we're really focused on four countries - US, UK, Germany, China.

And so, you've seen us very, very focused on where are the places that we think maximum adoption rates will happen. And we see it, you see the metrics on sales, et cetera. You can see that two of those countries are profitable already, and we feel very comfortable that we'll move into profitability with the other countries as well. So those are the kind of changes. We've deployed less capital than we thought we would. Why? Because we concentrated down to four countries as opposed to going after 12 countries. So that's the EV side, but the 2025 target, we're still saying get into profit in 2025. So no change to it, just a bit less capital than we originally would've been thinking.

On the convenience side, it's remained really robust. I'm really surprised about how robust convenience has been excluding TA growing 9% per year on gross margin, despite the fact that you had Covid, lockdown, invasion, recession. You've got a perfect storm for that business. But given the power of the brands that we have, like a Marks & Spencer here, and I can say the same for other countries. Given the great work the teams are doing on digitising, integrating the business in the US together, we've started to integrate AMPM with Thornton's, with TA together in a way that we haven't in the past. We're just driving much more efficiency into that business. So what will happen, the $1.5 billion EBITDA will obviously largely be convenience, and it's more convenience than I would've expected to be honest given the headwinds that we faced. So, I hope that helps a little bit, and you can always catch Emma afterwards to find out more from her. I think we're down to the last two questions online. Matt, go ahead.

Matt Lofting (JP Morgan): Great. Thanks both for taking the questions. Two, please, if I could. On distributions, firstly, could you just talk about to what extent the change from 60 to 80% is reflective of more procyclical based confidence in medium term macro and trading conditions? And linked to that, can we now think of the 80% as being fully through cycle as opposed to a more prolonged down cycle scenario in the future, starting to trigger the case for reverting back towards 60%? And then secondly, feels like the emphasis on simplification and efficiency has been enhanced today, if anything versus the recent past. Is that fair? And if so, where do you see incremental opportunities that perhaps weren't called out as much in the past? Thanks.

Murray Auchincloss: Great. Super. Kate, you want to tackle the first one?

Kate Thomson: Yeah, thanks, Matt. 80% I think very much through cycle[5]. If you think about where we've been since inception of the share buyback, we're around 65% of surplus cash to share buybacks. And we've done that while making huge progress on our balance sheet. Our balance sheet is now in much better shape. We feel good about it. As I've said a number of times this morning, we can tolerate movement. So we feel huge confidence in our balance sheet. We feel huge confidence in the business performance on the ongoing momentum and delivery.

So I mean, if there's a fundamental change, then we'll look, but right now I'm confident that we can be completely clear that this 80% of surplus is going to be through cycle[5]. This is an upgrade and it's pretty much in line with the pro-rata upgrade over 4Q in the first two quarters of next year, moving from $1.5 billion to $1.75 billion, pretty much pro-rata with that. So, it's about confidence in our balance sheet, confidence in our business performance and the ability to tolerate movements around.

Murray Auchincloss: Yeah. And then on simplification, I think what I'd say is there are lots of opportunities. A new team we can reflect on and think about how we can work together more effectively. We can simplify our narrative, which you started seeing us do today. We

[5] Share buyback expectation – from 2024 point forward - we are committed to returning at least 80% of surplus cash over time through buybacks at current market conditions and subject to maintaining a strong investment grade credit rating.

can simplify overlap inside organisational structures that we've talked about today. We can simplify buyback guidance, which you've seen today. And there's a long list of these things that the leadership team and I are thinking about. And our challenge is how do we just gradually do these things over time driving efficiency into the business at the same time that we keep the super structure strong and keep the drive and focus on the strategy strong.

So that's really what I'd say. But the efficiency drive, we'll be able to do an awful lot more digital now that we've got GenAI inside. We'll do an awful lot more as we progress the digitisation of the downstream business. We have offshore centers to build up now that'll drive an awful lot of efficiency into the business as well. So, I think we're enthusiastic and we see a lot of opportunity in this space about simplicity, focus, and then a hard focus on returns. Thanks for your question, Matt. And the last question goes to Menno.

Menno Hulshof (TD Securities): Good morning, everyone, and thanks for squeezing me in, I know it's been a long call. I'll just start with the question on the Paleogene as the key driver of liquids growth in the Gulf of Mexico (GoM) through 2030. Can you just give us an update on where things stand at Tiber and Kaskida, and what are the key risks in bringing on initial volumes in that 2028 timeframe? And then my second question, I believe is for Kate, just on divestments, which fell a bit short of 2023 guidance, is there anything to read into there? Is that largely a timing issue? And I guess the second part of that is how much of a priority is getting the next, call it $2 to $3 billion of asset sales across the line, given your confidence in the balance sheet? Thank you.

Murray Auchincloss: Kate, why don't you start on divestments?

Kate Thomson: Sure. Thanks, Menno. Yeah, a few things on divestments. We were slightly short of our guidance that we put out at the end of the third quarter. I think you wouldn't be surprised to hear me say that, as Murray has talked about a lot, we are hugely focused on value. And if I get the sense of transaction isn't delivering value because I'm trying to hit a certain deadline to close it, I'm not going to do that. So there's one or two that we have allowed to move into 2024. We're just going through the process again to make sure that we're getting maximum return for those assets. And that is what I'm going to be focused on delivering with regard to the divestment target.

Broadly, at the moment, I would say we're on track for the $25 billion divestment and other proceeds by 2025. Let's see how it goes. I'm confident in the $2 to $3 billion that we've said we're guiding for 2024. But as I say, I'm much more driven by getting value for the transactions we're executing. I'm not going to be solely driven by hitting a number and a target if that doesn't make sense, and we're not getting the returns that we need. So that's how we're going to be looking at it, and that's what we're going to be focused on.

Murray Auchincloss: And what a nice way to end off the conversation on a Paleogene question. Nine billion barrels of oil in place. Highly discovered resource across Kaskida Tiber, Gila. Exploration opportunities with new acreage that we picked up as well. It's time for bp to open that basin up again after a 15-year hiatus. So we're really excited about it. We have full teams on Kaskida and Tiber moving forward right now. Kaskida, we hope to hit FID this year. Let's see how it goes. I think the principal challenge in timeline will be yard space. We're just sounding out yards now as we go, and when you can get slots inside the yards to build these things.

The subsurface feels de-risked now, there's enough production analogs around Kaskida from similar fields with similar characteristics that I don't feel there's really any risk on the subsurface perspective. Probably just more upside than risk.

The development cost looks very competitive. The economics looks competitive. So it'll really be slot timing. And we'll update you with that as we go through the year. Tiber will be a follow on from Kaskida. She'll be doing these in sequence, and let's see where we go from Kaskida to Tiber.

So I think my encouragement to the team is to do everything safe with cycle time. That's what creates the most value for the corporation, is safe cycle time. And that's what Gordon Birrell, Ewan Drummond and I are working on, on Kaskida and Tiber.

So thank you everybody for attending today here in person and online. It's much appreciated. Just a few final words. Our destination is unchanged - IOC to IEC, but we're going to be simpler, more focused, more efficient, and really driving for value. Thanks very much, everyone, for taking the time today to visit with us and look forward to seeing you in the future.

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