bp 2Q 2021 results:
Webcast Q&A transcript

Tuesday, 03 August 2021

Craig Marshall: Thank you, again, to everybody for listening, and good morning. We're going to turn to the questions and answers now, and if we can, take the first question from Michele Della Vigna at Goldman Sachs, please. Good morning. Michele?

Michele Della Vigna (Goldman Sachs): Good morning, and congratulations on the very strong results. I had two questions, if I may. The first one refers to your key projects in the legacy oil and gas business, driving cashflow growth for the next two, three years. We've seen some news on the Tortue project, but I was wondering if you could give us an update on some of the key developments in Trinidad and in the Gulf of Mexico.

And then secondly, I noticed there was a clear return statement for the Lightsource bp projects, 8% to 10%. But could you also give us a range on some of your offshore wind projects? Thank you.

Bernard Looney: Very good. Good morning everybody, and it's Bernard. Thanks, Michele for the question, and I'll let Murray take the second question around returns. On the projects, Michele, I think the projects are going well. We brought on, in the last year, eight major projects, about 200,000 barrels per day. We're on track for the 900,000 barrels a day by the end of this year. The margins are coming through. Remember, the 35% margin accretion that we spoke about? That's all looking good. We expect probably 12-13 projects coming on over the next several years. They're all going reasonably well. I think it's fair to say that COVID has had an impact on a few. It's also had an impact on Tortue. We're obviously building the FPSO in China, and we're building the facilities in West Africa, so there has been some knock-on impact there, and also in Tangguh.

So, we have seen some COVID impacts on the delivery schedules, but Mad Dog Phase 2 I visited myself, just about, four or five weeks ago in Ingleside in Texas. A fantastic facility that is in really great shape. The wells are pre-drilled[1]. Everything I have to say, touch wood, is looking very, very good for that project starting up early next year. And as Murray keeps reminding us, the margins from that project are fantastic. So, generally in good shape, have had some COVID impacts, but overall, things are pretty good, Michele, so thanks for the question. And Murray, on the returns.

Murray Auchincloss: Good morning, everybody. I'll just start on Bernard's point across the 900mboed of new projects that we're bringing on. The average margins for those are 35% higher than the base, so that's why I'm always quite focused on the margin side of that. As far as margin then on low carbon, the threshold targets we've set of 8-10% apply across all of our low carbon businesses, as you say, from Lightsource bp, to offshore wind, to onshore wind, etc. So, no different than the targets we have, and we remain confident that we'll keep that capital discipline, and make sure that we drive those returns for our shareholders. Thanks, Michele.

Bernard Looney: And I did look at those Lightsource bp projects. I think Murray, you and I both saw them. 35 projects, and averaging 8% to 10% since 2018, since we got involved. So, people always ask us, are you confident you can and will deliver those returns, and of course, the short answer in solar is Lightsource bp are already delivering those returns[2], and work to do to prove that case, obviously, in offshore wind, but we believe we can and will do that.

[1] Wells needed to underpin start-up
[2] Weighted average expected IRR of 8-10%

Craig Marshall: Thanks, Michele. We'll take the next question from Peter Low at Redburn. Peter?

Peter Low (Redburn): You said that your financial frame is unchanged, but the guidance that the dividend could grow 4% per annum through to 2025 feels new. What's led to that change? I didn't think the old policy was based on affordability, but rather that you thought a flat dividend with a variable buyback was the appropriate mix for a company in transition. So, any colour there would be helpful. And then secondly, you're in discussions with ENI to potentially combine your upstream portfolios in Angola. Can you outline the rationale for such a transaction, and is there any update on the progress of those discussions? Thanks.

Bernard Looney: Why don't I have a go at the dividend question, Peter. Thanks for both questions, and Murray can maybe add a few things on that I'm sure, and I'll also let him talk about the ENI transaction.

We've had questions from many of you before on this, I know Jon Rigby has been asking us questions on this over the last several quarters, and let's just wind ourselves back, first of all, to last year, the 4th August, when we took the decision to cut the dividend in half. And when we look back to that point in time, obviously, there are a few things that were happening in the world. Number one, we just experienced negative oil prices for the first time in history. I think Fatih Birol described 2020 as the worst year in the oil industry's history.

And of course, on the 4th August last year, we didn't have a vaccine, and hadn't any sight of a vaccine in mind. And now, today, we can't name all the vaccines that exist. So, last year was a very difficult, a very uncertain time, and we took the decision to do what we did last year with the dividend in that context, and we did it for three reasons. Number one, because of the uncertainty, and the uncertain outlook. Number two, we wanted to strengthen that balance sheet, so important to us to do that. Net debt was at $51 billion at the end of the first quarter last year and was on its way up. And number three, we wanted to invest in the transition. So, that's the context of why we did what we did, and I'm sure people will look back and say, well, you could have, or should have done something different, but nonetheless, that's why we did what we did on the day.

12 months forward, Peter, of course the world is a very, very different place, and the reason that we've taken the decision to do what we have done with the dividend today is based on confidence, and it's based on confidence, Peter, in three areas.

Number one, and most importantly, it's based on confidence in the underlying performance of the business. We spent much of the last 12 months restructuring the company, and that is now largely complete. Over 6,000 people have left the company already, and the business is performing. In the second quarter we've delivered our cash cost savings target of $2.5 billion dollars six months early. We had our strongest convenience result in our convenience business on record. We've delivered eight major projects, delivering 200,000 barrels a day over the last 12 months, and we have confidence in the upcoming projects. So, reason number one, Peter, is confidence in the underlying performance of the business.

Reason number two is confidence in the balance sheet. This is now the fifth quarter in a row where our net debt has fallen. I mentioned the number of $51.1 billion, I think it was, at the end of the first quarter 2020, as I say, it was on its way up. Today, we're at $32.7 billion, down from $33.3 billion at the end of the first quarter, and that balance sheet, and importantly, that investment grade credit rating, remains very, very important to us. It's number two on our framework.

And then the third reason is confidence in the outlook, or confidence in the environment. And of course, we see now that with vaccines, and this really is a vaccine story, that the world is getting back to pre-pandemic levels. In fact, GDP globally is already back above pre-pandemic levels. And it's not just that, it is that OPEC+ has demonstrated both the capacity and the desire for discipline. And then, it has also been a story of the US shale business model, where the cost of capital has risen, and the business model is certainly far more cashflow focused today than it might've been production focused two years ago. And oil focused rigs, even at $70 per barrel oil, are still 50% of what they were pre the pandemic. So confidence in those three things - the underlying performance of the business, confidence in the balance sheet, confidence in the outlook - is why the board has taken the decision that now is the right time to raise that dividend by 4%.

You ask if our financial framework is unchanged. It is unchanged. We have five elements of that framework. Element one is a resilient dividend. This is a resilient dividend, and importantly, we wish to maintain the balance point of the company at $40 per barrel oil, and this is very, very important to us. We can grow the dividend. We've said that in a $60 world, we have the capacity to grow this dividend by 4% per annum. And of course, remember that we're doing buybacks, and that is a very important thing. We expect $1 billion dollars per quarter at $60. We were basically retiring 5% of the shares of the company[3], which makes the dividend growth affordable. So, I think from a financial framework standpoint, elements one to five remain as is. We have taken the decision to grow the dividend. We believe that is the right thing to do to reward our shareholders based on confidence in those three things that I've outlined: the underlying performance of bp, the strength of the balance sheet, and the outlook for the environment. Murray, is there anything that you would like to add or correct on that, and then any words that you want to say about ENI in Angola?

Murray Auchincloss: Nothing to correct. I just emphasise the resilience point. Step one, inside the financial frame, our priority one is a resilient dividend. And we see the capacity to grow the dividend per ordinary share by 4%, given the price outlook, given the performance of the operations, and given the potential share buybacks we've got. So, maintaining resilience at $40 per barrel oil is what's critical to us inside that thought pattern.

As far as Angola goes, we're making good progress with ENI. Linking back to the last quarter when we talked about it, we see a good opportunity to work with ENI, to drive a better business locally in Angola. We operate two boats; they operate a couple of boats. By bringing the operations together, we can start to drive synergies into it. You can have fewer supply chain bases. You can have more leverage for offshore operations, one set of helicopter crews as opposed to many, etc.

And that efficiency then moves into the resource side, where if you're producing at a lower cost, you could develop more resource. So, we just see it as a great local efficiency play. I think everybody in Angola is very excited about it for the future, both ourselves and ENI and our employees. So we think it's a good transaction for both sides. As far as progress

[3] Implied annual impact of $1bn buyback per quarter

goes, we're working through fully documenting all the terms, and then handing those over to our partners in government for approval. So, that process is on track, and we'll update you at the next quarterly results.

Bernard Looney: The only thing that I'd add to that, if I could, not to correct anything but to emphasise your language is, I think, Peter, we've always, had a track record of being, I hope, creative and innovative, and that doesn't stop, and that is unchanged. So, thinking back to Aker BP, where I think we've doubled the value of that investment over the last couple of years. So, in many ways it's a continuity, a continuation of the past. But as we also think about the energy transition, and when we think about resilient hydrocarbons, and as Murray said, that resilience from a cost perspective, and from an environmental perspective, an emissions perspective, then things like this make eminent sense, especially in a basin like Angola. So, these always made sense. They probably make even more sense going into the future, and you should expect us to continue to be searching for creative ways to make sure that the hydrocarbons inside our business are as resilient as possible, and we will be innovative in how we go about that. Thanks for the questions.

Craig Marshall: Okay. Thanks Peter. We'll go across the pond to Paul Cheng at Scotiabank Bank. Thanks for being up so early again, Paul.

Paul Cheng (Scotiabank): Thank you. Good morning. Bernard, two questions. First, bpx strategy. Can you update us on what's the plan there over the next several years? You said just to maintain in a maintenance mode, or is there any shape or form you guys want to grow yet, or whether that should be part of your core operations going forward? And the second question is that, clearly Europe, the energy transition is probably at the front end of the world, but the rest of the world may not be – i.e. the US. So, I think what many of the investors we talk to seems to concern, is bp investing at a faster pace than the rest of the world, the pace of the energy transition, and as such that the opportunity set may not be matching what you're trying to do, and that your new investment is not generating a good enough return. Can you maybe talk about that concern? Thank you.

Bernard Looney: Thank you, Paul. On your second question, we are not investing, I think, ahead of the curve into the transition world. I don't believe that is the case. I think we're investing with discipline into that new world. In the second quarter alone, we rejected 50 gigawatts gross of potential deals that we could have done. So, there's a massive amount of activity out there, but in no way, would I say that we are ahead of the curve. In fact, our 2030 targets represent between 1% and 3% of the world's ambition in that space, and if you think about our oil production today, it's not a dissimilar number. So, we're not investing ahead. We are being very, very disciplined.

There is growth happening, if I could just give you one example, in electric vehicle charging which I think is a fascinating area. We talk a lot about charging points, but the real numbers that we need to focus on are not just the number of charging points, but the kilowatt hours of capacity that we have installed, and even more importantly, the kilowatt hours of electricity that we have sold. And in the first six months of 2021, we have already sold 50% more kilowatt hours than we did in the entire 2020. And that's with a backdrop of our number of charging points just gone up by 6%. So, this is all about ultra-fast charging, and it's all about utilisation rates. Utilisation rates at our Hammersmith Station here in London, four ultra-fast chargers, are running at 55% utilisation today.

So, I think the pace of transition, you're quite right, is different in different parts of the world. Different sectors are moving at different paces. We're investing into that electrification as one example, but in the renewable space, you can expect us to be incredibly disciplined, and we will be reporting on as much about what we turned down, as opposed to what we did, and we turned down 50 gigawatts gross of opportunity in the second quarter alone. So, discipline is the key, 8% to 10% returns in those renewable sectors. We think we'll get higher in EV charging. Hopefully that helps a little bit on that.

On bpx, it's a great business. We're running seven to eight rigs today. It's free cashflow positive year to date. It's doing very, very well. We'll spend less capital there this year than we did last year. We probably will bring the capital up a little bit in that business, but we're not focused on production growth. We're focused on cash flow growth. The reservoirs continue to look fantastic – better than we expected. We've now delivered $400 million of synergies versus the $350 million that we had planned. And we've just drilled our first well in the Louisiana Haynesville in ten years - three 8000-foot laterals at $3 per mmBtu Henry Hub. I think Henry Hub today is closer to $4 than it is $3. Those wells deliver 80% returns.

So, we're very, very happy with the business. It's performing better than we've expected. Murray, I know you're very passionate about it. Anything that you would add on bpx or indeed on Paul's first question?

Murray Auchincloss: I think on bpx, we're just managing it for cash flow and dividend. So, we'll gradually ramp up the activity and make sure that we get a decent-sized dividend out of it each year. And we have a very, very strong resource base there, 40 years of drilling assuming around 12 rigs going each year. So a tremendous opportunity set with very high-quality economics.

Bernard Looney: Thank you, Paul.

Craig Marshall: Thanks, Paul. We'll take the next question from Lucas Herrmann at Exane.

Lucas Herrmann (Exane): Morning, Craig. Morning, Bernard and Murray. Thanks for the opportunity. A couple, if I might. Firstly, just on the buyback or the indicated buyback at $60 per barrel of $4 billion. Can you give us an indication, does that $4 billion include the $0.5 billion or so or $700 million of employee share scheme reversal that you've previously indicated? And can you give any indication as to the extent to which it includes divestment proceeds or what level of divestment proceeds, you're assuming when you start thinking about the free cash flow number? And that question is simply driven by working back from $4 billion and looking at what kind of operating cash you'd need to generate and it seems quite elevated relative to the current level?

And secondly, Bernard, on hubs, thank you very much for the slide this morning. I think it helps clarify or make clear the opportunities that you're pulling together and the way you see the basis of tomorrow. However, I just wondered, can you give any indication of what level of CAPEX you'd expect to go into each hub, the extent to which government support is important in the build-out? And how important is access to electricity? I mean, it's obviously very important, but to own supply electricity in your thinking around building out future hubs or future industrial hubs across the globe. Thanks very much.

Bernard Looney: Lucas, thank you. Good to hear your voice. To give you the most confidence in the first question, I'll let Murray take them, and then I'll see if I can help on the hub question.

Murray Auchincloss: Yes. Great. Hey, Lucas, you had two parts in your buyback question. First part was employee offsets. Those are not included in the $1 billion a quarter, so those are separate. And I think we've guided to around $0.5 billion a year. So that's separate.

And then, yes, the divestment proceeds are included in that. And if you think back to what we've talked about from divestments, we said $25 billion between 2020 and 2025, of which we've already realised $10 billion in proceeds. So, we have $15 billion of proceeds through 2025. You could just model those pro-rata and that would give you a sense of how we've thought about that at a $60 per barrel capacity. Back to you, Bernard.

Bernard Looney: On the hubs. Look, I think it is a very interesting focus for us for the future. And I think we're making two points, I guess, within that. One is the potential to decarbonise industrial clusters and having had the privilege of being in Teesside just a few weeks ago and just seeing what's possible in an industrial cluster that I think represents 20% of the UK's industrial cluster emissions in that one area in Teesside. I think we will see solutions very much focus in around industrial clusters.

So up there, we've obviously got the Northern Endurance Partnership, which is about CCS. We've got Net Zero Teesside, which is about power. And we've got H2 Teesside, which is about blue hydrogen, and then linking that potentially with offshore wind and linking that with our trading business. So that's an industrial cluster, but we're also showing what can happen within a country framework and how we can join up things like electric vehicle charging with the renewables business, with hydrogen, with trading.

So, in answer to your question, how much capital is going to go into this. I mean I think, increasingly, you will see our low carbon CAPEX, which I think we’re seeing is about $4 billion by 2025 and $5 billion by 2030 per annum. And I would remind Paul, from the earlier question that I think we spent around $1 billion so far this year on low carbon. So, I don't think we're getting ahead. So, I think, Lucas, what you'll see increasingly is focus of that spend being on country and cluster strategies is what you will see going forward.

In terms of government support, it's less actually about government support in terms of cash handouts. It is government support here in the UK, for example, at Teesside. It's about what the government refers to as business models, what we would refer to as regulatory frameworks. And what we mean by that is shipping carbon dioxide offshore and storing it underground needs a proper legal framework around it. We all understand what happens with oil today and decommissioning and so on and so forth. We need similar frameworks in place for carbon.

We need a contract-for-difference (CfD) type system for transportation of that carbon so that there is a reward that's commensurate with the risk. Customers that are changing their fertiliser plant in Teesside from grey hydrogen to blue hydrogen will need some sort of CfD mechanism. So, it is more of these mechanisms than it is direct government subsidies. It is making sure that, in their language, the right business models are in place.

And access to electricity, I think all we would say in that regard is that these are value chains. And I think it was Murray that spoke about it on the last quarter results, is that we used to take molecules out of the ground and pump them into people's cars. We'll now take electrons, let's say, out of the air and put them into people's cars. As we have learned over 100 years in oil and gas, being present right across the value chain as rent shifts means that we can follow that rent as it moves up and down that value chain. And we believe that the same is true of this new world.

And we'll just close by saying we're not in the renewables business just for renewables, i.e., we're not just trying to build an offshore wind business. We're trying to build an energy business that's a net zero energy business. And the fundamental parts of that will be things like an offshore wind upstream position, a trading business and some shorts that may look like electric vehicle charging or may look like hydrogen. So that's what we're trying to replicate here. And to do that, we feel we have to be present across the value chain rather than just in one part of the value chain. I hope that helps.

Lucas Herrmann: It helps. Can I just follow up with one question or one observation? I mean trading -- the opportunity to lubricate everything effectively through trading is clearly very important in delivering incremental return. Is there a point at which you think you might actually start disclosing just how stable or otherwise trading streams have been historically? Because it's all very well to tell us or to say, well, typically, we make 1-2% of capital employed, but some illustration via hard figures consistently, might help.

Bernard Looney: I was asked that question by Bloomberg this morning. And no plans to do so at the moment. I think we have given probably more disclosure than many already on that subject, and you mentioned the returns guidance that we gave in August of last year. Suffice to say that we have confidence in its current financial delivery. We have confidence in its ability to generate future financial delivery in the new world. And I think it remains and will increasingly become a competence and a capability that a company like ours both needs and relies on. But, no plans right now, Lucas, to do any further disclosure over and above what we've already done.

Lucas Herrmann: Thanks very much.

Bernard Looney: Thank you.

Craig Marshall: Thanks, Lucas. We'll take the next question from Jon Rigby at UBS. Jon?

Jon Rigby (UBS): Thanks, Craig. So, two questions. The first is -- and I don't expect you to comment on this directly, although you can. There's been widespread stories about, or reports of, BHP looking to sell its oil and gas assets, a lot of which I'm thinking mainly around the Gulf of Mexico. You're the operator of and probably arguably the natural owner, and I think you can probably agree both from an economic and an emissions standpoint, those are absolutely fantastic assets. So, the question for you is how do you think about opportunities like that in your legacy oil and gas businesses when your ultimate aim is to sort of reduce that exposure, but tactically, there may be some opportunities to improve quite significantly the quality of what you have?

The second is just intrigued on this Thorntons move in the US. Can you just maybe go into a little bit more detail? Is the US or are there parts of the US that are similar or analogous to Europe and the model that you're trying to pursue in Europe, where you can generate very attractive returns from a sort of amalgamation of electricity and non-fuel retail? Because as I understood it, historically, the US has been quite significantly different in terms of its sort of model to maybe Europe. Maybe is that just an issue of certain parts of the US market as opposed to a comment on the full US market? Thanks.

Bernard Looney: Jon, thanks for the questions. On Thorntons, 208 stores in six states in the Midwest. We like their business. They have very attractive locations. They run their operations well, and they have quite a differentiated offer that works well in those states. We can now -- having planned to own 100% of it, we can really drive integration now into our existing business with refining, with trading and we hope we can also deliver some more synergies than we already have with the ampm brand in the West Coast. So, I think -- with supply chains and so on and so forth. So, I think there's a real rationale, shall I say, a local rationale as to why we would do this.

Secondly, of course, the US, I believe, is going to remain the number one fuel market in the world out through 2040. So, despite the transition and everything that's happening, we've been talking about electrification earlier, this will remain an incredibly strong fuels market in the world, the number one fuel market in the world, and will do so for many, many years to come. So, we see great opportunity there.

And of course, as electrification takes off in America, which I think it will, but I think we'd all agree will probably start on the coast, probably on the East Coast and the West Coast before it makes its way inland, then that opportunity will happen over time there. So hopefully, that gives you a little bit of context into the Thorntons decision,

And then on BHP and oil, I guess what you're talking to there is oil and gas acquisitions, so to speak. And the first thing that I would say is that there's not a strategic no to doing oil and gas deals inside the company. So, if we see deals that make sense, then we will do so.

The ultimate thing to say, and I'm not trying to avoid the question, it really is how we would think about it, Jon, is that we're just driven by value, right? If we can find barrels that are higher margin and lower emissions intensive than our existing portfolio, then we'll high-grade. And we will continue to look for ways to achieve that. At the end of the day, all we're trying to do is create the highest value oil and gas portfolio that we can.

So, the deal that we've just talked about in Angola with Peter, with Eni, what we did with Aker BP, you'll see us continue to be active in that space. There is not a strategic no, you won't do that. However, it has to be about value and it's about high-grading and making sure that the barrels we have are the very, very best that they can be, both from an emissions and a value perspective. Murray, would you add anything to that?

Murray Auchincloss: No. And we're just excited about the Thorntons deal. They have a tremendous convenience offer. Very high margin. As Bernard said earlier, we've had a record for convenience as we look back, as we tracked it. So a great quarter. And the world is really turning towards convenience, so we just see a tremendous opportunity in that moving forward.

Bernard Looney: Record for convenience adjusted for Thorntons and a record for convenience in Europe. So, it's a great story, Jon. However, hopefully, that helps and thanks for the questions. And hopefully, you're happy with what we did on the dividend. So back to you, Craig.

Craig Marshall: Okay. Thank you, Jon. We'll take the next question from Biraj Borkhataria, RBC. Biraj?

Biraj Borkhataria (RBC): Hi. Thanks for taking my questions. The first one is on the impairment reversals. You cite bpx. I was just wondering if that is the legacy assets or BHP-acquired assets. If it's the legacy assets, does that mean your gas price assumption has changed, and maybe you can clarify what that is if there's been any change there?

And then the second question is just going back to your comments from last year, Bernard. Effectively, you affirmed your 2021 targets that you set out a few years ago. Castrol in particular, was supposed to see quite a bit of growth from 2016-2021. It looks like the run rate is quite a bit below that now. And I understand some of the key markets are impacted by COVID, but there's also been some additional offerings with e-Fluids and things like that. So, could you just bridge from maybe first half of this year or where you are now relative to that target and talk about some of the reasons why maybe, at least for 2021, the earnings growth is not attainable? Thank you.

Bernard Looney: Biraj, thank you. I'll see what I can do on Castrol. And Murray, if you could take the impairments question, please?

Murray Auchincloss: Yeah. On the impairments, we didn't change gas price, Biraj. We just changed oil price, as we previously disclosed. And yes, there were some write-backs inside bpx as well as the historic portfolio for oil price. So, I think that's what we'd say on that one.

Bernard Looney: Very good. On Castrol, I think your observations are good, Biraj. Performance was down a little bit in the second quarter compared to what was a good first quarter. I think we understand the reasons why, overall, it's relatively short in the second quarter versus the first, and that's around base oil supplies. And obviously, we've had lockdowns in India, which is a core market and so on and so forth. So, I think there have clearly been headwinds this year and over the last year.

We have a plan for Castrol that is in action, so to speak. And you should expect to see Castrol grow over the coming years. I have looked at that plan, as has Murray, very closely with Emma. And I think we feel very good about it, and it is now about executing on that plan. There's a lot of opportunity in that business that we've identified.

It's an incredibly strong brand. Great to see it, by the way, on pole – not on pole position, but on number 1 in the Formula 1 at the weekend, which was brilliant. I've never seen better brand placement in a long time. It's a brilliant brand, and it's a brand personally that I love and think that it has enormous potential. And I think there is more in that business, and our job is to deliver on that potential over the next couple of years.

In terms of e-Fluids, it's absolutely part of the strategy. We have something called Castrol ON, which is designed for improved electric vehicle performance. And I think more than half of the world's major vehicle manufacturers are now using them as part of their factory fill. So, we feel pretty good about Castrol's ability to pivot to that new world. However, I would say that the internal combustion engine will remain a dominant feature of the transportation landscape for decades, particularly when you see the growth in markets like China and India, and particularly things like three-wheeler and two-wheeler markets in those countries.

So, the traditional lubricant will be around for decades and has a potential to grow through that period. And there will be a transition over time and the technologies that we have and the coolants that we have and the greases that we have, we're able to transfer to that new world. So, Castrol, doing relatively good given the circumstances. I think, first half, it's actually above 2019 numbers today despite the base oil challenges and despite the COVID challenges in places like India. But we believe there's a lot more that we have to do. I think the price of base oil is 40% higher, for example, at the moment than it was in 2019 and yet the business is back to performing better. But more to do with Castrol and watch this space over the coming years. Hopefully, that helps, Biraj.

Biraj Borkhataria: Very helpful. Thank you.

Craig Marshall: Thanks, Biraj. We'll go back across the US and take the next question from Jason Gabelman in Cowen. Jason?

Jason Gabelman (Cowan & Company): Yeah. Hi. Thanks guys. Two questions. First on the Gulf of Mexico. I wanted to get a sense, given it's one of your higher-margin regions, where production was in 2Q. I know it was impacted from maintenance and then the ramp-up over the next few quarters, where that production is going. You have a couple of larger products coming online, Mad Dog and Thunder Horse expansions, and what the cash flow contribution of that will be maybe from where it was in 2Q given the maintenance?

And then back to this idea of integration in the low-carbon energy business. Can you just discuss if you have to reach a critical mass of assets in order to realise that 2% trading benefit? Or is that something you'll expect to realise kind of off the bat as these new renewable power assets and others come online? And then further to that, are there other pieces within the value chain that are maybe less visible to us beyond these kind of large power projects coming online that you need to set up in order to achieve that trading benefit? Thanks.

Bernard Looney: Jason, thank you. I'll ask Murray to take your second question, and I will take your first question. Yes, we had a lot of maintenance. And in fact, it's a feature right across the portfolio really and also in the refining business, where, obviously, we were unable to do a lot of turnarounds last year. And turnarounds are essential maintenance, typically, and therefore we are playing catch-up with some of that in 2021. And you saw that in the second quarter. Production in the GoM was slightly below 300,000 barrels a day in the second quarter, and it will be above 300,000 barrels a day in the third quarter.

The business -- I was actually in Houston as well a few weeks ago and reviewed the business there - it's running well. You're right, it's an absolute core asset for the company. We've just brought on the Manuel project in June. That's a two well tieback into Na Kika, which will hopefully get Na Kika to be full, which is great. Thunder Horse Southeast Expansion Phase 2, a field I know reasonably well personally, that will come online later this year. Another two wells at the beginning and potentially eight wells tie back at Thunder Horse, which is fantastic.

I've talked about Mad Dog Phase 2, which I think, Murray, has a gross capacity, that facility, of 140,000 barrels per day. All the wells have been pre-drilled. The facility, certainly, to an amateur like myself, looks to be in fantastic shape. The team is doing a really, really good job, and we look forward to that starting up next year. And we had a discovery as well near Atlantis that is quite interesting.

So, the key in the GoM for us going forward is filling the infrastructure that we have, keeping our cost down, keeping our emissions down. The team are all over that. We're excited about all four of the hubs as well as our OBO (operated by others) portfolio there. The business is running well, and you should see higher volumes in the third quarter. We always have hurricanes to worry about in the Gulf of Mexico, and let's see what impact that will have this year. But, aside from hurricanes, production will be well up in 3Q vs. 2Q. Hopefully, that helps, Jason. Murray?

Murray Auchincloss: Yes, Jason, on the trading question for the future, maybe the best thing to do is analogize it to gas. If you think back into the beginning of the natural gas portfolios, we started with point-to-point transactions. So, you build -- you develop an LNG facility in a gas field, and you point it at a specific market and you'd sign a long-term agreement.

Gradually, over time, people would move away from long-term agreements and move towards a merchant model or a spot model. And key inside that was having positions in the upstream, the midstream and then customer shorts. So that build-up of natural gas that occurred since the 1960s is what you see right now in our portfolio with fantastic profitability and very high returns as we have sources of energy that are equity, sources of energy that are merchant, the capacity to move molecules around and sales to customers.

And that's really how we see the electron market and hydrogen market unfolding over time as well. It will be important to get a series of long positions in the actual energy production itself. A mix of merchant and equity is always super important as our history shows, and we think that's true in the future. It'll be important that you have the ability to manage transmission in some countries. Some will be regulated, some won't, but in places that aren't regulated, you'll think about that.

And then you'll need to establish customer shorts. They will start as long-term contracts. You guys call it a CfD or a PPA right now. And over time, that will move towards merchant. And that's where you need charging, hydrogen outlets, carbon offset outlets, like offshore producing facilities, carbon capture and sequestration, etc.

So, building out those different shorts over time will be extremely important, and we're confident that we'll be able to do that. Obviously, in places like the UK, you're going to have 15 years where you've got a CfD underpinning, or 20 years where you've got a CfD underpinning, and you'll do trading optionality around that for whatever percentage we decide as we move towards the CfD rounds.

And then over time, you're moving into a place where you have a mix of equity and a mix of merchant longs and you'll be pushing into all kinds of different shorts, and that's where the magic comes and that's where we earn the superior returns. So, we understand the business from 60 years of doing this inside natural gas and 20 years of doing this inside North America with our power position there, and we feel pretty confident with the future too. Hope that helps.

Craig Marshall: Okay thanks. We'll take the next question from Christyan Malek at JP Morgan.

Christyan Malek (JP Morgan): Yes. Thank you, Craig. And Murray and Bernard, first of all, well done on a great result and definitely a positive surprise in the dividend. So, two questions, please. First, I remember how you vehemently defended not raising the dividend. And I was quite surprised to see an increase today. I think it's very clear the base of the raise and thank you for that framework.

But I wonder if I could play the movie in reverse now and with the benefit of hindsight, of course, I wonder just how much of the 50% cut in the dividend would you apportion to a weaker constructive outlook versus, call it, funding the transition? Just with that kind of rear-view mirror now, I'd just like to understand that because it helps me frame the quantum of the future dividend increase potentially going forward?

And the second, and this is more strategic, but it seems that as oil moves higher the equity markets are failing to reward you and others, and some would argue that the sector's structurally impaired. If the equity market continues to under-appreciate the clean energy part of your business – or, put a different way, if there really isn't a core institutional investor base for the next generation of international energy companies, what options would you consider, if any, to do things differently?

Bernard Looney: Great. Christyan, thank you, and thanks for the commentary. Look, I think it's -- I'm not sure I understand what you're trying to do in terms of predicting what we'll do going forward. I think I just have to bring you back on the dividend to what we have guided to today that basically says in around a $60 barrel of oil price world, here is what we have the capacity to do and I know everybody wants to know what happens if the prices are above that and what happens if the prices are below that.

If they're below that, we follow our financial frame starting at point number five, the buybacks, and working our way back to point number one, the resilient dividend. I'm not going to apportion how much of it was outlook, how much was transition. We were in a very uncertain world, as you and I both know, and it felt, and the board felt, that this was the prudent thing to do at that time.

We felt that a 50% cut for the reasons that I stated, uncertain outlook, the balance sheet strength and being able to invest in the transition that the combination of those three things led us to the decision that we have taken. And clearly, today, as life tends to do, the world is very, very different, and that's why we've raised the dividend by 4%, and that's why we've issued the guidance that we have.

And of course, at these prices, as Murray keeps reminding me, with buyback starting, it means that we can actually do this comfortably at $60 without actually increasing the dividend burden on the company and therefore, maintaining a balance point of $40.

In terms of the yield, and I do understand your question and your question about structural impairment and whether core institutional shareholders are going to reward a company in transition. The first thing that I would say is that it's a bit of a hobby horse and probably not particularly helpful to you, but that is that if the world is going to have any chance of meeting its climate goals, it must embrace greening companies.

We cannot start enough new green companies to get to net zero. It's simply not possible. You just have to look at Tesla selling half a million cars a year versus Volkswagen, Renault, Nissan and Toyota selling 30 million cars a year. The incumbents matter, they must transition, they must be rewarded. They must be encouraged. Otherwise, I think it's very difficult for the world to get to net zero. So, this is what we call greening companies.

But to your more specific point around what are the options that we would consider. The option that we would consider is the option that we are doing. Our job is to prosecute the agenda that we've laid out. We have made a strong – we have a strong belief in the value of integration. And Murray has just, I think, given a great description of what it looks like, and we've tried to do that in our presentation today to say that by being an integrated energy company, we believe we can add value.

We recognise that the market has questions around that, and the only option that we are considering is simply to keep doing what we are doing. And we believe – and strongly believe – that in time the market will see that transition play out, will reward that transition as long as we perform each and every day, and deliver today as well as transitioning for tomorrow. The option is deliver on the strategy that we have laid out just 12 months ago, and we are confident that if we perform, as you can see with the buybacks, and as you can see with the dividend increase, and we transition with discipline, which is what we are intending to do, that in time the market will, quite frankly, find it hard to ignore what is an incredibly compelling cash proposition.

And as Craig reminds me, the second elements of our investor proposition, which are profitable growth, 7-9% per annum, compound annual growth rate of EBITDA per share, and sustainable value increase. I think we should not expect to be rewarded overnight. It is a big change. We have got to be patient. We have got to knuckle down and focus on the basics, and that is what we are going to do, Christyan.

Murray, anything you would add to either of those questions?

Murray Auchincloss: No, that answers it.

Christyan Malek: Thank you for your answers.

Bernard Looney: Thanks for your question.

Christyan Malek: Thank you. Great vision, thank you.

Irene Himona (Societe Generale): Thank you. Good morning and congratulations on the progress reported. You achieved so far this year a $2.5 billion cash cost saving, and you did so, six months early, so two related questions. Firstly, can you say what the key components of these savings are, and in particular, how much of it comes from the 6,000-labour force reduction you refer to? And then, secondly, having achieved the target early, what happens next? What can we anticipate in the second half of the year on cash costs? Thank you.

Bernard Looney: Irene, thank you. I will just have a go at the second part of the question, and will ask Murray to help me with the first part and the second part. I think what is next is the $3-4 billion per annum of cost savings that we have said that we will deliver by 2023. And by the way, the $2.5 billion was by the end of 2021, the $3-4 billion is by 2023 as a full year, so we expect cost come down $3-4 billion.

What is next is we have got to keep going. We have got to keep going. We have more people that are scheduled to leave the company over the next several months – very, very difficult, obviously, for them and for all the leaders inside the company. However, we are reaching the end of that phase now, and we are doing that in the best way from a caring perspective that we can. We are heavily focussed on digital. Gordon Birrell has over 7,000 people working in an agile structure. You remember us talking about agile and agile ways of working when you visited Oman with us. And we now have over 7,000 people, not just using agile tools, but structured in an agile way, and we are seeing the pace of decision-making and the pace of getting work done coming down.

We have to keep going. There is still an enormous amount of waste in our company that we want to get after. We see digital as key. We see agile as key. Leigh-Ann (Russell) is doing a fantastic job running our supply chain organisation from one place. We now have one Group supply chain. We are seeing synergies coming through on that offsetting some of the inflation cost that we have seen in steel and tubulars over recent months, and we will continue to automate where we can.

We just have to keep going. We are not stopping and the next is the $3-4 billion by 2023. And if you ask me what is beyond that, Murray and I believe, and the team believe that we will continue to drive cost down out through 2024 and 2025. We want it to be a hallmark of how we run bp. It is a hallmark of a well-run company, and it needs to be a hallmark of a company in transition, and that is what we are very, very focussed on.

Murray, anything you would add, and where is the breakdown on the $2.5 billion?

Murray Auchincloss: Yeah. I think the breakdown on the $2.5 billion, Irene, is really in three parts. It is procurement savings, as we bring the upstream and downstream together, and we normalise contracts across the two, so there is quite a bit of procurement savings inside that. Second, is headcount, as you rightly identified. And third, work practices – the combination of what Bernard talked about with agile is a big lever, as well as all the investment we have done in digital over time. In the historic upstream, we have been on about a ten-year journey to digitise the totality of the upstream. We are a long way down that, and we are now able to watch procurement flows across the globe with a tool called Celonis that sits on top of our SAP system and find out where inefficiencies exist in the system – both bidding inefficiencies and process inefficiencies - and that is dragging cost out materially. It is quite an amazing thing to be able to do.

I am excited about the future because we can now take those tools that we developed over a decade in the upstream and apply them in the historic downstream refineries and retail. And there has not been as much investment in that part of the business in the past, as in the upstream. We are now going to get on to that, and customer and products, and look forward to great things as we move through the decade to continue to drive efficiency in our business.

Think about a third, a third, a third on the $2.5 billion. Thanks, Irene.

Irene Himona: Thank you.

Bernard Looney: The data stuff is fascinating, is it not? Murray has also got David Jardine, who runs Internal audit. And internal audit – being able to conduct audits basically from home of operations around the world because they have access to the same data streams, and maintenance, for example, that the teams on the ground in Trinidad or in Angola have. And it is just the efficiency and productivity improvements just continue to grow and grow. The opportunity is massive. Anyway, just a small example. Thanks, Irene.

Irene Himona: Thank you.

Christopher Kuplent (Bank of America): Hello. Thanks, Craig. Good morning, everyone. Just two questions, please, and both are a little bit concerning around tax. The first one, Murray, perhaps for you, the Gulf of Mexico oil spill payment guidance has switched from post-tax to pre-tax. Is that because you have lost visibility on the tax impact? Maybe you can give us a little bit of a reference what that shift actually is; is it an upgrade in costs or is it more or less the same and you just changed the reference?

And then, secondly, on your sensitivities or 'rules of thumb', again, you were giving those to us in pre-tax terms, but just wanted to come back to your balancing points. You told us that the dividend per share policy, CAPEX has been calibrated to retain your $40 per barrel balancing point. And if I then calculate the sensitivity from $40 to $60, I end up with about $5 billion of post-tax cash flows. Would that be wrong from your pre-tax guidance, and therefore just wanted to see whether you can confirm roughly that my maths is right, that your $4 billion annual buyback at $60 is pretty much eating into that entire cash flow rule of thumb that you have given us? Hope those questions make sense. Thank you.

Bernard Looney: I think they will make more sense to Murray than they will do to me, Chris, but that is not because they are bad questions. He will have more of the detail on certainly the first one, and we might need a little clarity of the second one, I think. Murray, over to you.

Murray Auchincloss: As far as tax payments go, Chris, we just felt it was easier to move to pre-tax guidance. The actual outflows are pretty consistent from now till 2033, it is a rateable schedule of payments. Trying to do it on a post-tax basis, as the tax rate moves around, with the losses from last year, the gains from this year, it was just getting a bit too confusing, so we felt it was an easier for you guys just to move to pre-tax guidance. You can obviously see the swings in the tax rate - the first half of this year versus the second half of this year. That is all, there is no change to the underlying payments that are happening. It is just movements in that tax rate itself. That is the first question, so no concerns from my perspective there.

I did not really follow your calculations, so maybe Craig can follow-up with you offline. However, the way to think about it is from our $40 balance point, your rule of thumb that you have got out on the website, it is a pre-tax basis will let you use the average cash tax rate to figure out what that is on a post-tax basis. You multiply that by 20, as you say, and then there will be some adjustments in there. Remember, we have got a capital range of $14-16 billion, and if the oil price is down at around $40, you won't be spending $16 billion, so you will be modulating that a little bit. However, we will let Craig and the team follow-up with you to make sure that we understand the math that you had.

Christopher Kuplent: Alright, thank you.

Bernard Looney: Thanks, Chris. Thanks for the questions.

Lydia Rainforth (Barclays): Thanks, and good morning, everyone – a couple of questions if I could. The first one, if I just come back to the dividend increase, Bernard, I think you talked about the idea that confidence in the underlying business is better. What part of the business is better? Is it simply the cost side or are the operations better? I am just really trying to get a handle as to what operationally you are more confident in.

And then the second one is relating to the CAPEX side and this idea of the brilliant reality that you can now do both additional cash return to shareholders and lift spending. However, how do you make sure that that additional spending goes to the right places and is effectively good CAPEX? And I will leave it there, thank you.

Bernard Looney: Fantastic, Lydia. Good morning, good to hear your voice. Murray, as the custodian of good capital with me here, I will let Murray talk a little bit about that.

Lydia, look, I think a few examples that we have talked about already in terms of the underlying performance of the business. Number one is the cost structure, which I think we are never satisfied, Murray and I, with where we are in cost. However, we are pleased that we are meeting our targets earlier, and you should just expect us to continue to build that muscle inside our company that, quite frankly, we still believe there is huge opportunity in, and we will continue to focus on.

The convenience business is just a great business growing volumes and growing margins – best quarter on record. A strong business, a strong brand, strong partnerships, and one that, quite frankly, we can continue to make better and better. And then in the hydrocarbons business, those major projects, the 200,000 barrels that we brought on, the ramping up of Raven in Egypt, my physical site visit to Mad Dog Phase 2 in Ingleside, these things are tangible. They are real and they give us confidence.

And in terms of the reliability of the business, probably not as good as we would have liked in the second quarter, but better than the first quarter. And we know what issues we have there, and the team is on it. I think it is just that overall, we have got confidence. And I think I would have to add that the team is settling down now. We have been through enormous change – necessary change, but enormous change – inside our company. We have a new leadership team now, that has been working together for 12 months, and they were effective on 1st July last year. We have a lot of people in new jobs with new teams from the 1st January this year. And I think, while not perfect everywhere, the whole organisation is beginning to settle down, and increasingly as we get back physically to our offices, where we can, I think that will help. And I think there is just that sense of underlying confidence that the company is getting in a zone, and that is what gave us the confidence to do what we do, along with the confidence in the balance sheet, and the fifth quarter in a row of reducing net debt, and the confidence in the environment.

Hopefully, that gives you a little bit of colour around how things feel inside the company. Murray, on capital and Lydia's question?

Murray Auchincloss: Yeah. Hi, Lydia. I think, start with a few things on CAPEX. First, it is important that we have choice and that we are looking at a lot of things inside low-carbon. That is why Bernard talked about 'we refused 50 gigawatts of opportunities in the quarter', so there is almost an infinite opportunity set out there in the world right now.

The way that we make sure that we are not wasting money in this space is that we look pretty rigorously at the business cases. We demand the 8-10% levered returns. We will not go below that. And critically, its P50 assumptions on energy price, on CAPEX, etc., which is obviously a tricky judgement. But, it is those P50 estimates that we put inside to make these judgements. Likewise, on oil, you would not want us wasting money on oil, either. With the rise in oil price up to $60 real, we have got a 20% hurdle rate in order to invest into these. There have to be P50 assumptions as well for the reservoir, for the cost, etc., and they have to pay back in ten years.

Each bit of our business has its own set of hurdle rates; its own set of expectation with P50. We have independent monitoring of that as well, so I think we have got a pretty disciplined and rigorous process that gets us to P50 outcomes. And as we do look-backs – annually, we do look-backs – at drilling projects, etc, across the globe, by and large, the majority deliver within the P50 range. We have one or two that are on the downside, and one or two that are really on the upside. However, by and large, as we look across our portfolio, normalising for price, we are delivering, thanks to the great work inside projects, operations, wells, etc.

Feeling pretty good about that, Lydia. Hope that helps.

Lydia Rainforth: Yeah. Brilliant, thank you.

Craig Marshall: Thanks Lydia we will take the next question from Alastair Syme at Citi. Alastair.

Alastair Syme (Citi): Thanks Craig. Hi Bernard and Murray. As for building out the renewables pipeline, I just wonder if you could characterise the different levels of competition you're seeing between Europe, US and Asia and also perhaps across technology; solar versus offshore wind. And then sort of secondarily related on the recent ScotWind, I was surprised to see such a detailed press release on what was essentially a bid. And I realised this is a bid, it's not just about price, but you're the only bidder that's disclosed capacities. Do you have any sense on how much oversubscribed you think this auction is going to be? Thank you

Bernard Looney: Thanks, Alastair. Good morning, I'll let Murray take the first question around competition and renewables by geography by technology. On ScotWind, it's an important licence ground. I think we've said 2.9 gigawatts is the licence that we are after, we've basically done a lot of work on it. We want to win it, and the press release simply sets the context for our bid, which is the things that we will do right across Scotland, which includes setting up, as you've read it, and you know setting up our global offshore wind monitoring centre in Aberdeen, which is a lovely story of a city transitioning from hydrocarbons to low carbon, and long been a centre for bp and can be a centre for the next 100 years for bp as well. A lot of work on the potential for hydrogen, electric vehicle charging, investment into ports and so on. So, we simply felt it was important for stakeholders to know the commitments that we were making, the importance of the bid to our partnership, not just to bp but to EnBW, our partner from Germany. You can never be sure of these things but we want to put our best foot forward and do the right thing for Scotland, for the UK, and obviously for our respective companies. So that's a little bit of context as to why. Oversubscribed, I think it'll be a competitive process and a lot of interest. It's a different process from the process down in England, and we'll see how it plays out. And we should know early next year.

Murray?

Murray Auchincloss: Competition and low carbon across different geographies, etc. I think in primary markets that already exist, there's almost infinite demand and there are a lot of suppliers, so it's about being selective Alastair. So solar expansion in Europe very high, solar expansion in the US very high, solar expansion of Australia is starting to grow. So, we do see an awful lot of demand there. And Lightsource bp, our development vehicle, is able to compete in these markets. They do seem to be at the low end of cost of supply and able to compete effectively and win projects and win power purchase agreements with customers, and you can see those rolling out in different press announcements from them.

Offshore wind is obviously quite competitive right now and ScotWind is a good example of that. We see equal intensity of competition in the different offshore wind environment around the world, and an awful lot of the judgments around who gets awarded there are about local supply chains, around track record, and importantly now ability to provide integrated offers as well. I think governments and nations are starting to recognise that's exceptionally important.

And then the last point I'd say is hydrogen. Hydrogen is a growth market, and we'll start to see more and more competition around that over time, especially as it's really taking off in Europe right now. I'm sure you can read about the stuff in Germany and continental Europe and of course here with blue and green in the middle of the UK. So, I think hydrogen probably not as widespread yet as it is inside Europe. Hope that helps.

Craig Marshall: Thanks Alastair. On the theme of Scotland, we'll take the next question from Jason Kenney of Santander.

Jason Kenney (Santander): Thanks Craig. Thanks, Bernard, Murray. A couple of short questions hopefully. So, with the oil price changed to $60 a barrel, does that mean that bp keeps its oil assets for longer, or are you still planning on the 1 million barrel a day less upstream volume 2030 versus 2019?

And then on the return on average capital employed (ROACE) delivery, when do you think bp hits 12-14% ROACE at $50-$60 oil in that 2021-2025 plan? I've got one short question as well on DiDi in China, because of the authorities looking at the DiDi app across there. Is there anything we should think about in the roll out of progress there? Thanks.

Bernard Looney: Very good Jason, Thank you. I'll let Murray take the ROACE question. On the $60 a barrel case and any change to our longer-term plans on either the amount we invest into hydrocarbons, or indeed our plan to reduce the volume of hydrocarbons, which as we keep reminding people is very different to reducing cash flow, we're actually going to grow cash flow in the first five years, even as we reduce volume. No change to our plans. I think as someone said recently, we don't plan to increase our investment into a high price world, number one. I think we know how that story ends, so staying disciplined in the space will be good.

And secondly, where we have some divestments to do, which will always be at the tail so to speak, we will enjoy, we hope, a better market place in which to do that. So, I think our strategy, personally, takes full advantage of a stronger price environment and in many ways is very well suited to it. DiDi in China, our plans continue in China with DiDi, there's been no change based on what you and I have all been reading in the news. I think this was about existing users. I think DiDi has 550 million users already on its platform, at least those are the numbers I used to quote in the past. And time utilisation of our chargers in China are running at double the estimated industry average, I think at well over 30%, so no change to our current plans in China. Murray, ROACE.

Murray Auchincloss: And another 400 EV charging points installed during the quarter on DiDi and China as well.

And on ROACE, Jason, I'm not going to change guidance. 12-14% by 2025 at a $50-$60 oil price deck. We'll probably update you annually on that. But for now, no change.

Bernard Looney: Thanks Jason

Jason Kenney: Thanks.

Craig Marshall: Ok, we'll take the next question, possibly the final question, from Martijn Rats at Morgan Stanley. Martijn.

Martijn Rats (Morgan Stanley): Yeah, morning. I have two if I may. First of all, I wanted to build on the question, I think from Jason earlier on, on oil production, because clearly there's some seasonality in 2Q liquid output. But the statement also mentioned reduced investment, and I was wondering, given the year-on-year underlying decline adjusted for disposals in liquids output, if we're finally hitting that point where reduced investment in upstream CAPEX is now starting to bite into liquids output. I guess we're all trying to look at individual company data points to get to macro implications, but those types of things are quite important for non-OPEC production, and that's why I wanted to ask, are we now hitting that point where low investment is indeed starting to hold back liquids supply?

And the other thing I briefly wanted to ask you about, in the conversation that was just taking place, in two different parts. On one end you talk very optimistically about the total amount of electricity sold via EV charging outlets. At the same time, we've also spoken about the increase in oil price expectations between now and 2030. And I guess individually that makes a lot of sense. But if you put them together you can also see that there was some tension behind that. Could you just address the point that on the one hand you're seeing faster than expected electricity sales growth to EVs, yet at the same time you're expressing a degree of optimism and writing back assets into traditional oil and gas business. Can you elaborate on sort of how you see the tension between those two things?

Bernard Looney: Martijn, thank you and thanks for holding on until the end here. So, I think, first of all, Murray will take the question on oil production, but I think it would be wrong to draw the conclusion that we're now beginning to see a lack of liquids production based on lower investment. I think lower investment is coming through capital discipline rather than capital productivity. But to your second point – I'll let Murray comment.

On your second point on electric vehicle charging versus prices being raised in the near to medium term. I think there's two things I would say. Number one is that on electrical vehicle charging, it is obviously something that will impact the demand side. And while we are growing, as I said, over 50% higher already in six months in the entirety of last year, we must remind ourselves always, it is from an incredibly small and low base. So that is demand.

The oil price movement that we have done in the near term is a supply-led rather than a demand led change, and it's supply-led for three basic reasons. Number one is the discipline that OPEC+has shown and our belief that they have shown both the capacity and the desire to maintain robust prices. So that would be number one.

Number two, while connected to your first question, I think over time there will be an impact of lower investment on the supply of oil and therefore that will impact price.And thirdly, and maybe the most important, is the change of business model in the Lower 48. We were running 750 oil rigs before the pandemic in 2019, at trough, we were running 175 oil rigs. It has now doubled since then to 350 oil rigs. But that's less than half of the oil rigs that we were running in North America just before the pandemic. So, we are indeed having a more bullish, if you want to call it that, outlook on oil over the next five to ten years, and we're doing that on the back of supply constraints.

And the conversation around electric vehicle charging, I've made two comments. One is it's about the demand side of the equation and it is starting from an incredibly low base. So, I understand how you might draw a contradiction in some ways between those two, but I hope I've explained why we don't see it as a contradiction. Murray.

Murray Auchincloss: Hey Martijn. Nice to talk to you. On the oil product itself, as opposed to our oil division, we're seeing big impacts year on year on a few things. One is as Bernard said earlier, last year we didn't really have any turnarounds because it was too difficult to do it with COVID. So, we've had a heavy turnaround season in the first half of the year.

Second, because price has gone so high, we're having material production-sharing agreement (PSA) and technical service contract (TSC) impacts. So that makes the oil volumes look suppressed because of that rising price. The CAPEX comment inside the Oil Production & Operations (OPO) division is more about the CAPEX cuts we made in bpx, which sits there. And most of those cuts were done inside the gas side of the business, so that's why you see the gas volumes declining in OPO. So, that's less about oil, that's more about natural gas.

Then the last comment is obviously we've got a lot of divestments going through over that time period. So, you've got a big divestment impact. But we don't see an unnatural level of decline inside oil. It's just a bunch of effects that I've just described. And if you think about a business like bpx right now, we're biassing the rigs into the Permian and the liquids rich Eagle Ford as we move forward. And the Blackhawk as well. So, there's now a natural hit to the oil producing side. Thanks.

Martijn Rats: Wonderful. Thank you. And appreciate the dividend increase by the way, I think that's very welcome.

Bernard Looney: Thank you Martijn, we appreciate the feedback.

Craig Marshall: Thanks Martijn. Okay. There are a couple that are polling for follow up questions, but I think in the interest of time, we'll close the call there. Maybe let me hand over to Bernard for some closing remarks. Thank you.

Bernard Looney: Very good. Well thanks Craig and thanks Murray as always. And thanks everybody. Just four things I would say to close out the call, if that's okay. First of all, I hope you'd agree that it's another strong quarter of delivery, and we have got to remain focused and will remain focused on execution of our strategy. So, another strong quarter of delivery, number one. Number two, we're doing it consistently. We're not changing our investor proposition, we're not changing our financial framework, we're not changing our capital guidance, we're not doing anything like that, we are doing it consistently.

And thirdly, I think we're growing in confidence a little bit while of course being cognisant of downside risks. But we're growing confidence in the underlying business, in the balance sheet, and in the outlook for the environment. And then fourth and finally, we're doing what we said we would do, I hope you can see, which is that we would perform while transforming. We would deliver for our shareholders today, and by that we mean cash and cash distributions. And today we've grown our distributions, and we've realtered the balance a little bit in favour of dividends. And we're also transitioning the company for the future, something that we think is vitally important, and we're making steady disciplined progress upon doing that. So, this concept that we rolled out, actually on the 12th February 2020, which was performing while transforming remains at the core of our proposition to investors. So, just want to thank you all for your interest in the company for your feedback this morning, for your great questions, and I hope you guys get a break with family and friends and look after yourselves and we'll be in touch. Thanks very much.

[END OF TRANSCRIPT]