



ASSESSMENT OF BP'S CLIMATE STRATEGY

ASSESSMENT OF BP'S CLIMATE STRATEGY

Analysis, research and drafting by:

Louis-Maxence Delaporte, Energy Analyst, louis-maxence@reclaimfinance.org
Henri Her, Energy Analyst
Bastien Gebel, Junior Energy Analyst

Written with the contribution of:

Lucie Pinson, Executive Director
Clément Faul, Research Manager
Rémi Hermant, Sustainable Policy Analyst
Maude Lentilhac, Oil and Gas Campaigner
Agathe Masson, Stewardship Campaigner

Graphic design:

Jordan Jeandon
Léo Martin, Digital Project Officer
Hele Oakley, Copy editor

Publication date:

April 2024

Disclaimer: Reclaim Finance believes the information communicated comes from reliable sources and has made every effort to ensure the information is correct and data analysis is sound. However, Reclaim Finance does not guarantee the accuracy, completeness, or correctness of any of the information or analysis and, in any event, disclaims any liability for the use of such information or analysis by third parties. You can contact us at research@reclaimfinance.org if you believe our data contains some inaccuracies. We will make every effort to address it and make any necessary corrections. The information herein is not intended to provide, and does not constitute, financial or investment advice and we disclaim any liability arising from use of our communications and their contents in that regard.

TABLE OF CONTENTS

Introduction	4
Key findings	6
1. Current energy production	8
2. Cash-flow allocation	9
3. Fossil fuel strategy	12
a. Upstream expansion plans	12
b. Upstream production	13
c. LNG terminal net capacities	14
4. Diversification strategy	16
a. Sustainable energy	16
b. Unsustainable diversification	16
5. Emissions targets	18

INTRODUCTION

While a growing number of institutions are disengaging from the oil and gas sector, deeming it incapable of transformation, others believe that oil and gas companies are essential to the energy transition, and that their support is indispensable to the massive development of renewable energies. Considering this: What is the actual situation? To what extent does BP contribute to the development of sustainable solutions? Given that we can't limit global warming to 1.5°C without gradually reducing hydrocarbon production, has BP given up on developing new oil and gas projects?

To assess BP's climate strategy and provide our analysis, Reclaim Finance relied on the International Energy Agency's (IEA) Net Zero Emissions by 2050 Scenario (NZE).¹ The NZE is based on a 1.5°C trajectory and includes:

- A drop in oil and gas production of 21% and 18% respectively by 2030, compared with 2022 levels.
- A halt to the development of new oil and gas production projects and liquefied natural gas (LNG) terminals.
- A 67% increase in total annual investment in energy, with a 2.3-fold increase in annual investment in energy transition, covering clean energy supply, end-use and energy efficiency. This would mean investing ten dollars in the transition by 2030, six in energy supply - mainly electricity - for every dollar invested in fossil fuels, i.e. a 6:1 ratio.

BP ranks as the 11th biggest oil and gas producer and the 18th biggest oil and gas exploration and production developer worldwide.²

As one of the top European integrated oil and gas companies and one of the largest greenhouse gas (GHG) emitters globally, BP is among the few companies in the world whose climate transition (or lack thereof) in the coming years will have a determining impact on our collective ability to limit global temperature rise to 1.5°C. In 2020, the company pledged to achieve carbon neutrality across its entire operations on an absolute basis by 2050 or sooner.³



“ I am also calling on CEOs of all oil and gas companies to be part of the solution. They should present credible, comprehensive and detailed transition plans in line with the recommendations of my High-Level Expert Group on net-zero pledges. ”

*Antonio Guterres,
Secretary-General of the United Nations,
March 2023*

KEY FINDINGS

1. The investment strategy of BP prioritizes the oil and gas sector and redistribution to shareholders, to the detriment of climate solutions

- BP invested in oil and gas rather than in renewable energy:⁴ For every dollar invested in 2023 in its Low-Carbon Energy business – including renewable energy, bioenergy, blue and green hydrogen, and carbon capture, use and storage (CCUS) – BP invested US\$11.6 in oil and gas.
- BP remunerates shareholders rather than investing in renewable energy: For every dollar invested in 2023 in its low-carbon energy business, BP distributed US\$10.5 to its shareholders through dividends and share buybacks.

2. The energy strategy of BP will continue to rely on the development of new fossil fuel projects

- In 2023, BP revised its targets for oil and gas production along with its decarbonization of its scope 3 by 2030. Its oil and gas production target has been raised from 1,500 thousand barrels of oil equivalent (kboe) per day in 2030 to 2,000 kboe per day. Therefore, its 2030 scope 3 decarbonization target has been significantly reduced, from a -35%/-40% range to a -20%/-30% range. In 2023, scope 3 emissions represented 91% of the company's emissions.
- On the basis of BP's oil and gas production from its currently producing fields and its already committed short-term expansion plans, the company's production in 2030 will be 12% higher than the level required to align with the NZE. In terms of short-term expansion, BP ranks as the 18th biggest oil and gas upstream developer.
- Yet, BP will have to develop additional discoveries or acquire fields beyond those already under expansion to meet its 2030 oil and gas production target. Its existing operating fields and short-term expansion plans will not be sufficient, despite a planned slight reduction in oil and gas production to 2,000 kboe per day by the end of the decade. With the company's current targets, its 2030 production will be 26% higher than the NZE.

3. BP's diversification strategy remains marginal and partly relies on gas and unsustainable energies

- BP will still produce 23 times more energy from oil and gas than from renewables by 2030. The company will account for 1.7% of the worldwide oil and gas production in the NZE.
- BP targets 10 gigawatts (GW) of installed renewable power capacities in 2030, and 50 GW developed to Final Investment Decision (FID). BP will then produce 0.1% of the worldwide renewable power production in the NZE.
- BP intends to reach a production capacity of 4.0 GW of electrical output (GWe) of hydrogen by 2030.⁵ However hydrogen production will not be generated from green sources alone.
- BP future energy mix is also composed of biofuels and biogas. BP will produce 1.7 times more bioenergy than renewable energy by 2030.
- By 2030, BP will develop or remain active in gas power. The company currently has 0.3 GW of new gas plants under development, that represents an increase of 15% compared with the current operational gas power capacities.



1. CURRENT ENERGY PRODUCTION

BP accounts for 1.8% of global oil and gas production.⁶ In 2023, BP extracted 2,313 thousand barrels of oil equivalent of oil and gas every day.⁷ Beyond exploration and production, BP is also active in other energy segments such as oil and gas transportation, oil refining, solar and wind generation, and gas power generation and retail. In 2023, BP produced 99 times more energy from oil and gas than from renewables.

The company's power production is composed of gas power, and renewable energy – wind, solar and battery storage. BP has also hydrogen capacity but does not report its origin, which can be from renewable energy or from fossil fuels, with or without CCUS.

BP is also active in bioenergy, producing biofuels and biogas. However, no precise data on the current capacities and production volumes is available in the company's reportings.

2. CASH-FLOW ALLOCATION

The future energy mix and GHG emissions of a company are determined by its current energy mix and its investment strategy.

From 2021 to 2023, BP invested US\$858 million per year in oil and gas exploration, making it the 16th largest investor in this area over those three years.⁸ The investments reveal the importance of oil and gas expansion in the company's long-term strategy, which includes the search for new fields that once discovered could come into production in decades.

Information in BP's 2023 annual report⁹ shows how the cash and cash flows generated from its operational activities were spent in 2023:

1. BP invested US\$1.3 billion in its low-carbon energy business, which includes solar and wind energy as well as gas power.
2. BP invested US\$15 billion in oil and gas, including US\$9.3 billion in oil and gas exploration and production, and US\$5.2 billion in other oil and gas activities, including refining and petrochemical



activities. In total, for every dollar invested in low-carbon energy, more than 11.6 dollars were invested in oil and gas.

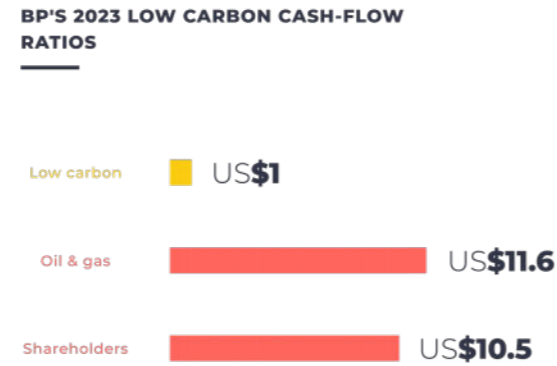
- BP provided its shareholders with US\$13.1 billion through dividend payments (US\$5.2 billion) and share buybacks (US\$7.9 billion). In total, for every dollar invested in low-carbon energy, 10.5 dollars were distributed to shareholders.

BP's investment plan remains fossil-fuel driven. It plans to invest US\$16.5 billion per year on average from 2024 to 2027, including US\$8.9 billion in oil and gas¹⁰ and US\$4.0 billion per year dedicated to low carbon energies, that include renewable energy, bioenergy, electric vehicles, and other future mobility solutions; trading and marketing low carbon products, blue and green hydrogen, and CCUS.

BREAKDOWN OF BP'S 2023 CASH-FLOWS



Source: BP, BP Annual Results 2023, 2024

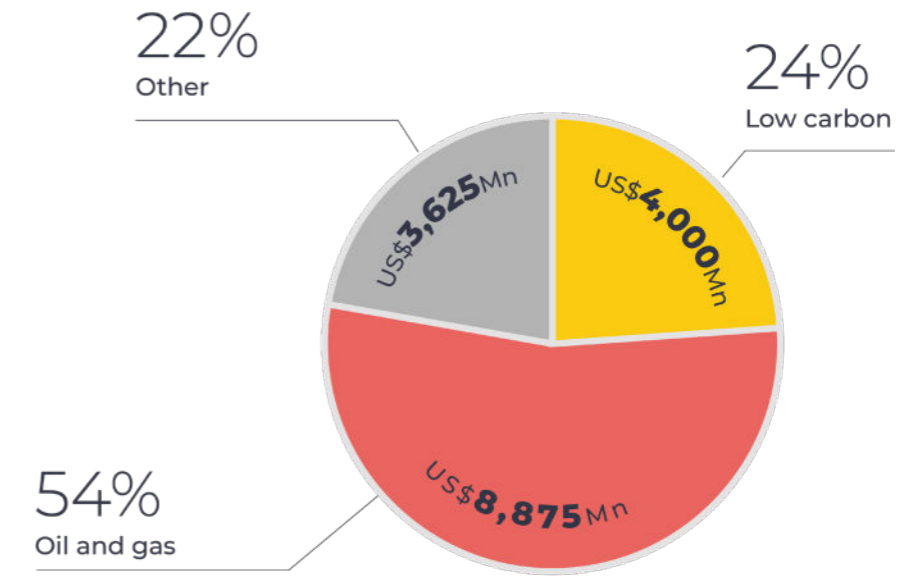


Source: BP, BP Annual Results 2023, 2024

Total annual energy investment needs to increase by 67% by 2030 according to the NZE, which includes a shift from fossil fuels to clean alternatives. Investments in clean energy supply, end-use and efficiency are multiplied by 2.3 times by 2030 in the NZE, with 10 dollars spent in these areas for each

dollar spent on fossil fuels, 6 dollars of which are for sustainable power supply.¹¹ In its 2023 report, the IEA established that oil and gas companies must allocate more than 50% of their capital expenditure (CAPEX) in clean energy by 2030.¹²

BP'S CAPEX PLAN TO 2030



Source: BP, BP Annual Results 2023, 2024



3. FOSSIL FUEL STRATEGY

a. Upstream expansion plans

The IEA published the NZE in May 2021¹³ to provide a pathway to meet global energy needs while maintaining a 50% chance of keeping global temperature increases below 1.5°C. It was used as the reference scenario in the IEA's World Energy Outlook (WEO) 2021 and was updated in the WEO 2022¹⁴ and WEO 2023.¹⁵ The NZE projects a halt to the development of any new oil and gas fields for which a Final Investment Decision (FID) was not approved by January 1st, 2022.

The Intergovernmental Panel on Climate Change (IPCC) also highlights the risks associated with the development of any new fossil fuel projects. This concurs with a large and growing body of scientific evidence showing the need to immediately end fossil fuel development, and a growing consensus on this in net-zero policy discussions.

According to the 2023 Global Oil and Gas Exit List (GOGEL), **BP is the 18th top global oil and gas upstream developer.** The company

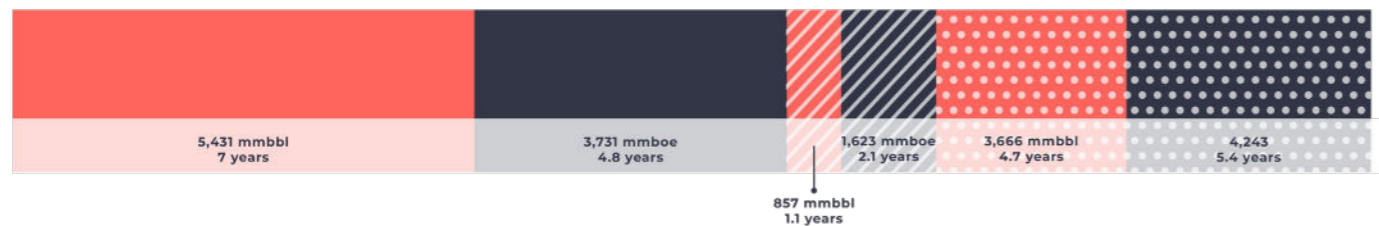
accounts for 1.1% of global short-term expansion plans, with 49.8% of its expansion plans not obtaining a FID before 2022 – therefore overshooting the NZE.

These projects would give BP significant additional resources even though it already has enough to extract oil and gas for several years. As of April 2nd, 2024:

- BP has 9,163 mmboe of resources under production, including 5,431 mmbbl of oil and 3,731 mmboe of gas. This represents the equivalent of 11.7 years of production at 2023 levels.
- BP has 2,480 mmboe of resources under development or field evaluation, including 857 mmbbl of oil and 1,623 mmboe of gas. This represents 3.2 years of production at 2023 levels.
- BP owns 7,909 mmboe of oil and fossil gas discoveries, including 3,666 mmbbl of oil and 4,243 mmboe of gas. This represents 10.1 years of production at 2023 levels.

BP'S OIL AND GAS RESOURCES

- Under production oil resources
- Under production gas resources
- Under development and evaluation oil resources
- Under development and evaluation gas resources
- Oil discoveries resources
- Gas discoveries resources



Source: Rystad Energy, accessed in April 2024

b. Upstream production

Oil and gas production should decrease by 20.9% and 17.9%, respectively, between 2022 and 2030 according to the NZE.¹⁶ In this scenario, the rate of oil and gas production declines due to a combination of the natural depletion of existing oil and gas fields and the absence of new fields to fill the gap, despite the reliance on negative emissions. Oil and gas production would need to decline much faster without this reliance. Negative emissions include the deployment of technologies unproven at scale, such as CCUS. Other prominent 1.5°C scenarios with no or low overshoot also show oil and gas production declining by 2030. These include the One Earth Climate Model (OECM),¹⁷ the net zero climate scenarios from the Network for Greening the Financial System (NGFS),¹⁸ and the IPCC's 1.5°C with no or low overshoot scenarios filtered to limit to reasonable volumes the reliance on negative emissions (e.g. CCUS, nature-based solutions (NBS), etc.).¹⁹

The following chart compares BP's planned oil and gas production level by 2030 with:

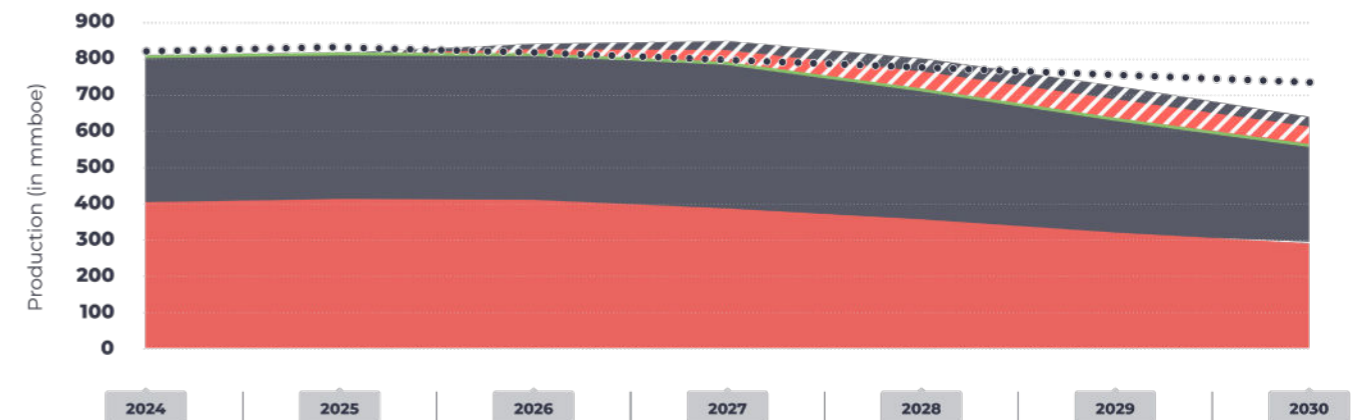
- BP's production by 2030 if it aligns with the NZE (i.e. BP's production level from its producing fields and its fields currently under development with a FID obtained before 2022).
- BP's production by 2030 if it carries out its already committed short-term expansion plans (i.e. BP's production from its fields currently under production, under development and under field evaluation).

In 2030, with oil and gas from currently producing fields, fields under development and under evaluation, **BP's already committed production level will be 12% higher than the NZE.**

Previously, BP anticipated a 40% oil and gas production reduction by 2030 compared to 2019 levels, excluding Rosneft.²⁰ It now plans only a 25% reduction (to 2,300 kboe per day by 2025 and 2,000 kboe by 2030).²¹

BP'S PRODUCTION TRAJECTORY

- Oil production from fields sanctioned under the NZE
- Gas production from fields sanctioned under the NZE
- Oil production from fields unsanctioned under the NZE
- Gas production from fields unsanctioned under the NZE
- Production trajectory aligned with the NZE
- • • Company production targets



Source: Rystad Energy on oil and gas production and expansion, accessed in April 2024; BP Annual Report 2023 on company production targets.

While BP's 2030 target is slightly lower than its 2,313 kboe per day production in 2023,²² it still could not be achieved without developments beyond its current short-term expansion plans. In other words, to reach its production target, BP will have to develop part of its discoveries and/or acquire new fields. As such, **BP's 2030 production target for oil and gas will be 26% above NZE alignment.**

With its production target, BP's 2030 oil and gas extraction will represent 1.7% of the global oil and gas production in 2030, according to production level of the NZE.

c. LNG terminal net capacities

Under the NZE, gas demand by 2050 is met with all existing LNG terminals. Under the IEA's Announced Pledges Scenario (APS), gas demand is met with operational and under construction facilities. In either case, no new LNG terminal plans are necessary to meet demand. With its current plans, none of BP's LNG expansion plans are aligned with the NZE, while only the infrastructure already under construction is aligned with the APS.²³

BP's gas-oriented strategy includes new midstream infrastructure that will be commissioned in the coming years. Indeed, BP owns existing LNG export terminals, and constructs new LNG export terminals in the coming decade.

- BP is already a shareholder of existing export terminals such as Tangguh in Indonesia, Atlantic LNG in Trinidad and Tobago and Das Island in the United Arab Emirates. BP's export terminals' net liquefaction capacity reaches 14.6 Mtpa.²⁴
- BP is constructing additional liquefaction capacities with "Greater Tortue Ahmeyim" on the maritime border of Mauritania and Senegal. This would add net liquefaction capacities of 1.4 Mtpa to its portfolio.²⁵

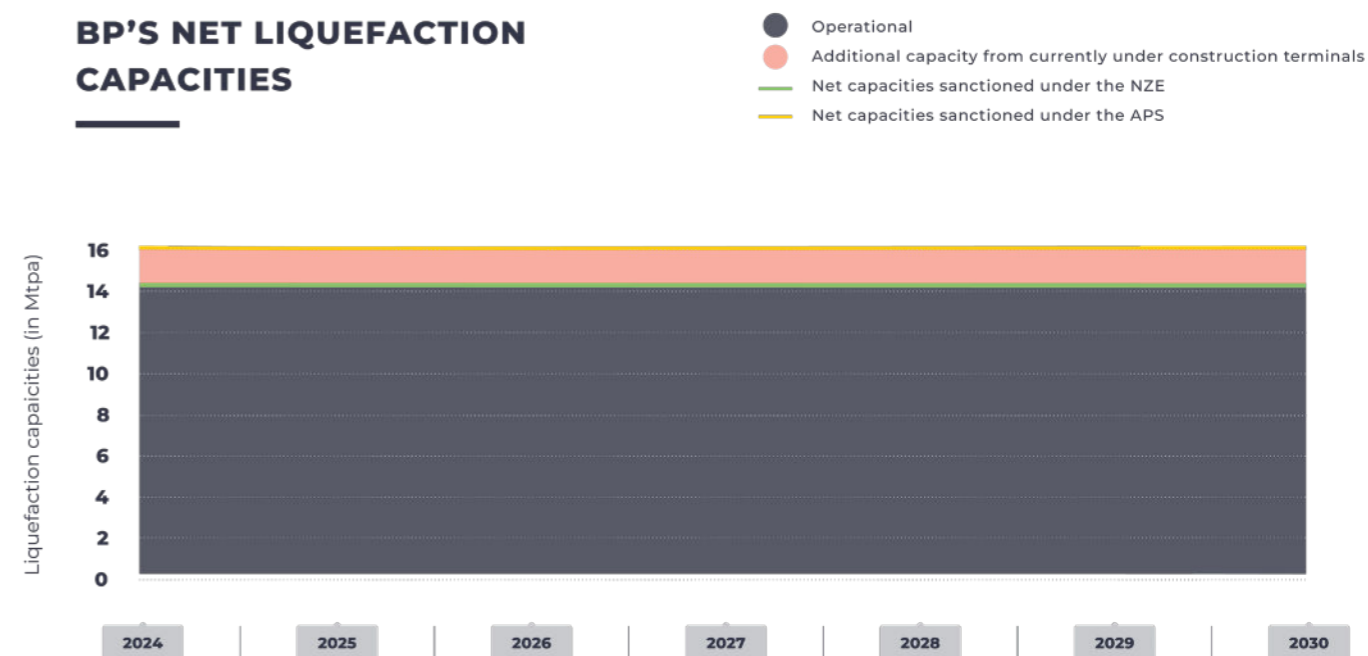
With its current LNG plans, BP's 2030 total net liquefaction capacity will not exceed the APS and will exceed the NZE by 9.6%.

Meanwhile, the company is targeting an LNG liquefaction capacity plus additional long-term contracts of 30 Mtpa in 2030,²⁶ representing a 30.4% increase on 2023 level, confirming the strategic importance of LNG for the company.

Furthermore, BP owns existing LNG import terminals, and constructs new LNG import terminals in the coming decade.

- BP's import terminals' net regasification capacity reaches 13.5 Mtpa.²⁷
- BP is constructing new regasification capacities with "Ganyu LNG" in China. This would add net liquefaction capacities of 0.3 Mtpa to its portfolio.²⁸

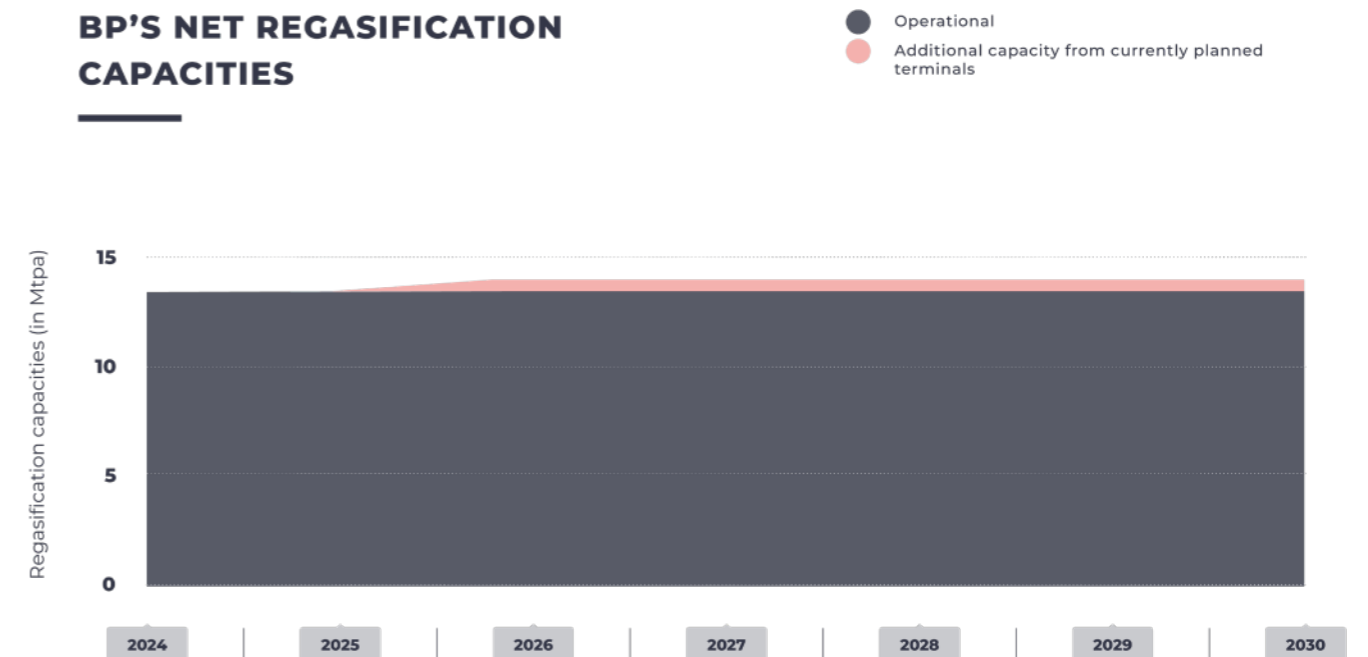
BP'S NET LIQUEFACTION CAPACITIES



Graphic design: guenole.fr

Source: Enerdata LNG database for operational terminals and Global Oil and Gas Exit List 2023 for under construction and planned terminals, accessed in January 2024

BP'S NET REGASIFICATION CAPACITIES



Graphic design: guenole.fr

Source: Enerdata LNG database for operational terminals and Global Oil and Gas Exit List 2023 for under construction and planned terminals, accessed in January 2024



4. DIVERSIFICATION STRATEGY

a. Sustainable energy

The NZE projects strong growth in renewable energy production, from 27 exajoules (EJ) in 2021 to 80 EJ by 2030, led by solar and wind capacity additions.

BP aims to develop its renewable energy resources, with a capacity increase from 2.7 GW today to 10 GW by 2030. If BP meets its targets, renewable energy to oil and gas extraction in 2030 would remain at 4%. **BP will produce 22.9 times more energy from oil and gas than from renewables by 2030. Overall, BP will represent 0.1% of global renewable energy production in 2030, according to production level of the NZE.**²⁹

Future energy mix is impacted by the company's asset disposal strategy. BP has set itself a target of 50 GW of renewables developed to FID, 5-fold higher than its 10 GW installed renewable capacities target.

b. Unsustainable diversification

Gas combustion is one of the main contributors to carbon dioxide (CO₂) and methane emissions and should be replaced by sustainable solutions – i.e. gas power is unsustainable. By 2035, advanced economies should achieve a carbon neutral power sector, according to the NZE.³⁰ BP currently has 2.2 GW of power plants in operation. Despite the company having no targets on gas power capacities,³¹ it has neither committed to stop developing gas plants nor committed to closing its gas plants. In fact, **BP has 0.3 GW of power plants under development, representing an increase of 15% compared with the current operational gas power capacities of the company.**³²

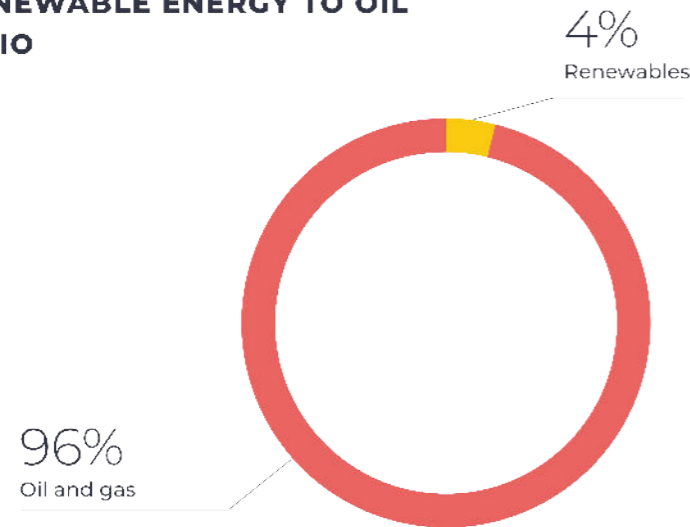
The NZE projects strong growth in bioenergy production, with an increase of biofuel from 133 Mtpa in 2021 to 367 Mtpa by 2030 and of bio-methane from 278 TWh to 1,944 TWh by 2030.

The NZE also projects strong growth in hydrogen production, from 94 megatonnes (Mt) in 2021 to 180 Mt by 2030, led by “low-carbon hydrogen” capacity addition. Of this, one-third is produced from fossil fuels – therefore unsustainable – and two-thirds from water-based electrolysis.³³ To meet the NZE scenario's production targets, electrolytic hydrogen production capacity should reach 720 GW to 850 GW by 2030.³⁴

BP only intends to reach a hydrogen production capacity of 4.0 GW of electrical output (GWe) by 2030, without reporting on the hydrogen origin, that can be produced from renewable energy as well as from fossil fuels with CCUS.³⁵ Therefore, BP's 2030 hydrogen production will be lower than BP's renewable power production. Additionally, part of BP's hydrogen production is not sustainable.

By 2030, BP targets a biofuel production of 47 TWh and a biogas production of more than 43 TWh every year.³⁶ **BP will produce 1.7 times more bioenergy than renewable energy by 2030.** Most biogas is produced via methanization using feedstock such as plant crops, livestock effluents, food and catering effluents, and sewage sludge. Likewise, most biofuel production currently uses so-called conventional feedstocks, such as sugarcane, corn and soy. Due to feedstocks use, emissions from direct and indirect land-use change, increased fertilizer use and carbon emissions from energy-intensive refining, both biofuels and biomethane can have a higher emissions factor than fossil diesel.³⁷ In addition to the climate impacts of land-use change, biofuels can divert crops from food production to energy production, leading to higher food prices.³⁸

BP'S 2030 RENEWABLE ENERGY TO OIL AND GAS RATIO



Source: BP, BP Annual Results 2023, 2024



5. EMISSIONS TARGETS

BP pledged mitigation targets for 2025 and 2030 using a 2019 baseline. These were measured in intensity terms on scopes 1 and 2 and 3, and in absolute terms on scopes 1 & 2 and on scope 3. In 2023, BP's CO2e emissions were 347 MtCO2e, including 315 MtCO2e of scope 3 emissions. Scope 3 emissions are by far the largest, representing 91% of the company's emissions. However, in 2023, **BP's 2030 scope 3 mitigation target was significantly reduced, from between**

-35% and -40% to between -20% and -30%. Moreover, while scope 3 represents the most significant part of the company's GHG emissions, this target is lower than its scopes 1 and 2 targets (-50%).

Using the IEA's energy supply data from the NZE in the WEO 2023, Reclaim Finance calculated BP's GHG emissions trajectory. **By 2030, the company's targeted carbon intensity will be 38.8% higher than the NZE.**

Base year	Target year	Reduction target	Emission scope	Emission Type
2019	2025	-20%	1 & 2 & 3	Absolute
2019	2025	-10%/-15%	3	Absolute
2019	2025	-5%	1 & 2 & 3	Intensity
2019	2030	-50%	1 & 2	Absolute
2019	2030	-20%/-30%	3	Absolute
2019	2030	-15%/-20%	1 & 2 & 3	Intensity

Source: BP, BP Investor Update 2023, page 10



References

1. IEA, [World Energy Outlook 2023](#), 2023
2. Urgewald, [Global Oil and Gas Exit List](#), 2023
3. BP, [BP sets ambition for net zero by 2050, fundamentally changing organisation to deliver](#), 2020
4. More information on sustainable power: Reclaim Finance, [The limits of \(not so\) clean energy](#), 2023
5. BP, [BP Investor Update 2023](#), page 13, 2024
6. Urgewald, [Global Oil and Gas Exit List](#), 2023
7. BP, [BP Annual Results 2023](#), page 38, 2024
8. Urgewald, [Global Oil and Gas Exit List](#), 2023
9. BP, [BP Annual Results 2023](#), page 37, 2024
10. BP, [BP Annual Results 2023](#), page 9, 2024
11. IEA, [World Energy Outlook 2023](#), 2023
12. IEA, [The Oil and Gas Industry in Net Zero Transitions](#), page 144, 2023
13. IEA, [Net Zero by 2050](#), 2021
14. IEA, [World Energy Outlook 2022](#), 2022
15. IEA, [World Energy Outlook 2023](#), 2023
16. IEA, [World Energy Outlook 2023](#), page 276, 2023
17. OECM, [Limit global warming to 1.5°C](#), 2022
18. NGFS, [Climate scenarios](#)
19. IPCC, [Climate Change 2022, Mitigation of Climate Change, Summary for Policymakers](#), 2022
20. BP's announced on February 27th 2022 its decision to sell its 19.75% stake in the Russian company Rosneft: [bp to exit Rosneft shareholding](#), 2022
21. BP, [BP Integrated Energy Company strategy update: Growing investment, growing value, growing distributions](#), February 2023.
22. BP, [BP Annual Report 2023](#), page 38, 2024
23. IEA, [World Energy Outlook](#), page 139, 2023
24. Enerdata, LNG database, accessed January 2024.
25. Urgewald, Global Oil and Gas Exit List Midstream database, 2023
26. BP, [Annual Report 2023](#), page 13, 2024
27. Enerdata, LNG database, accessed January 2024.
28. Urgewald, Global Oil and Gas Exit List Midstream database, 2023
29. IEA, [World Energy Outlook 2023](#), page 276, 2023
30. IEA, [An updated roadmap to Net Zero Emissions by 2050](#), 2022
31. As BP communicates neither its electricity production from gas plants, nor its objectives in terms of new gas plant development, gas power is not included in calculations of the company's energy mix.

32. Global Energy Monitor, [Global Oil and Gas Plant Tracker](#), 2024
33. IEA, [Global hydrogen production by technology in the Net Zero Scenario, 2019-2030](#), September 2022
34. Reclaim Finance, [Factsheet - Hydrogen](#), 2023
35. BP, [Annual Report 2023](#), page 13, 2024
36. BP, [BP Annual Report 2023](#), page 13, 2024
37. Nature, 'Bioenergy-induced land-use-change emissions with sectorally fragmented policies', June 2023
38. Reclaim Finance, [Factsheet - Bioenergy](#), 2023

Useful links

[Methodology - Glossary](#)
[Factsheets on bioenergy](#), [hydropower](#), [hydrogen](#), [CCUS in power](#), [Energy storage](#)

Credits

AdobeStock | Pexels

ASSESSMENT OF BP'S CLIMATE STRATEGY

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of financial players, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to bend existing practices to ecological imperatives.

contact@reclaimfinance.org

