bp agreement to buy leading US biogas company, Archaea Energy:

Webcast Q&A Transcript

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Q&A TRANSCRIPT

Bernard Looney: This is integration in action and an exciting day for bp. Thank you for listening. Murray, Carol, and I would be happy now to take any questions you have about the transaction. We will of course not be commenting on bp's upcoming third quarter results. We have a number of questions. Why don't we start with Oswald Clint from Bernstein? Oswald, over to you.

Oswald Clint (Bernstein): Super. Thank you. Good afternoon, everyone. Two quick ones. Just on the base case here and the double-digit returns. Obviously, you're paying for the risk production plan, and then the upside is the trading optimisation. So, given you have Carol there today, I'd love it if she could perhaps articulate what exactly that piece is and how it is executed and how it is locked in that that would be particularly helpful. Then secondly, just stepping back, you mentioned Bernard investing with discipline. You said this is, or I think you said, this is one of the most interesting deals, is this one of the most interesting deals you see across the clean energy landscape today. There are a lot of issues, supply chain cost inflation across other areas of clean energy opportunities today. Are things like biofuels becoming more attractive to you at this point? Thank you.

Bernard Looney: Thank you, I will ask Carol to take the question on the trading upside. Just before that, in terms of the deal, Murray and I were chatting earlier, and Murray, we think this is probably the best deal that we have seen period since we did Aker BP back in in 2016. We are very optimistic about this deal, the whole bio landscape, be it biofuels, be it biogas, be it sustainable aviation fuel. This is an area that we are very keen on. It is one of our five growth engines. I think this deal today underlies the confidence that we have in this sector, and we see it right across the patch.

What we see is a sector where we bring unique skills. We bring our project management capability, we bring our trading capability, we bring our customers to the table, we bring the balance sheet, and then we wrap it all around in Carol's business. It does feel, bio in general does feel like an area that is right for an integrated energy company. As I was saying to someone earlier with the energy trilemma, which is how do we deliver affordable secure and cleaner energy? What better way to provide secure energy to a country than capturing gas from landfill sites that would otherwise have leaked into the atmosphere, capturing that and using it to burn in power and transportation sectors. This is absolutely at the heart of helping to solve the energy trilemma. We are very excited. Murray, anything you would add on the deal?

Murray Auchincloss: No, it is fantastic optionality, Oz. I think as Bernard said, we have got a lot of strengths. Archaea does as well. They are a fantastic development company. They are a fantastic originating company. By combining their origination, their development, the skills they have developed over time with Carol's platform, our customers, and our balance sheet, I think this will create something special. We were talking about that it stands the chance to be a hallmark for the sector like Aker BP was.

Bernard Looney: We will host this with Dave Lawler in bpx. Again, a very entrepreneurial part of the of the business. Dave will run this with his characteristic creativity and innovation and independence to a degree so that we can retain that spirit of doing things differently and at the same time leverage the capabilities of bp, one of which is trading. Carol, how are you going to do it?

Carol Howle: Thank you very much and hello, Oswald. We have got an incumbent position in the US already, and we do have a very established gas and power trading team in the North Americas. Bringing the two portfolios together, what we are looking at doing is being able to optimize between the different sources of RNG that we have in the US, whether that is from landfills, food waste, or indeed dairy digesters. We are looking at optimizing the customer base we have, so we have over 3,000 customers in the US. We also have over 300 pipeline agreements in the US, all of which we can use to flow renewable natural gas to market, such as in California. We have got lots of different customers in either the voluntary sector who want to increase their demand and utilisation of lower carbon fuels, and we have also got the regulated markets.

What we will be doing is working through that overall portfolio, looking at the different customer needs and supply sources, and optimizing between all of those different value sets as one customer doesn't value RNG in exactly the same way. Some put a premium on it depending on what they would like to use it for, for example, from an ESG perspective. We will be able to do that. We have also got our co-marketing agreement with Clean Energy, which has access to around 550 truck filling stations in the US already. We are thinking around growing that with Clean Energy, and we have certainly got good forecasts in terms of the demand going forward because we do see more demand growing in this space with fleets and with people looking to substitute diesel with RNG.

You have also got the utility sector as a growth demand, and we have got a power business there in the US and a gas business that supplies it as well. So through all of this, we believe we can optimize the different sources and values in that portfolio. As Bernard says, we have also got a global team as well. We are working biogas in Germany, for example, through the Aral portfolio. We have got a position established in the UK through our equity interest in Gasrec. We are established incumbents. We have got growth plans, and I think Archaea is a fantastic fit for our organisation.

Bernard Looney: It is probably one of the main reasons as why we probably can add that distinctive value that that, quite frankly, few companies will be able to do. In many ways, we are the natural owner I think of this business. There is a real coming together here. It has got great potential. Oz, thanks for leading this off. We will go next to Roger Read at Wells Fargo, Roger?

Roger Read: Or I should say afternoon to you. It seems a great transaction. We have seen some of your peers make similar moves into renewables, and I think you'd addressed it decently there with Oz's question, but I wanted to maybe understand what are some of the opportunities, maybe as we think about the growth to a $1 billion in EBITDA by 2030 that you anything that you can kind of put a real number on to help us understand what you can do with this company that it couldn't have done on its own?

Bernard Looney: Well, I think the first thing to say, and again, Carol and Murray come in on this, please, but the first thing to say, Roger, is that they can do a lot on their own. And let's be very honest about it. They have done a lot on their own from starting out as a landfill site owner. They have got 50 RNG and landfill sites up and running. They have got over 80 projects now that are in a pipeline. They have, for 22 of those projects I think they have got equipment ordered. They have got feed stock secured for 75% of projects in the pipeline. They are doing capital investment, I think for 40 to 45% less than industry average. So let's give Archaea Energy a lot of credit for what they have done themselves. I think what we bring now is the balance sheet capability, the trading capability, which is all about optimization.

How do we help our customers get at what they want at the lowest possible price, and how do we maximize value of that molecule? Then it is about the customers that we have, whether it be the Amazons of the world, the DHLs or the power and utility customers that we have in the United States, and that we have now got. So that is what we bring the balance sheet, the trading, the customer base. I also am excited about technology, Roger, we have a bioscience institute in San Diego, headquartered in San Diego in California. I think there is tremendous potential to increase the yield of landfill sites through technology, particularly through bacteria and digestive processes like that I am not an expert on, but those people are, and we are going to redirect some of that research activity right onto Archaea now to see if we can improve yield. Any further specifics, guys, on some of the things that we can add, Carol.

Carol Howle: I think also when looking at the structure, so very much working with Archaea and we know Archaea already as Bernard and Murray have said, just when looking at it in terms of the different risk structures and pricing structures, what we can do is look at those in terms of what element would we like as fixed price, because they do underpin a certain amounts of earnings, but there is also more risk that we can take as a trading group because we have that larger established portfolio, and we have got the globally diversified markets and different sectors that we can play into. We can think about how we structure those contracts as index or fixed into transportation into utilities, and we can think about how we manage that risk as well. I think it is very complimentary in terms of what we are doing with Archaea on that basis.

Bernard Looney: Murray, anything to add?

Murray Auchincloss: Roger, just focus on the financial side of life. They had to build out this fantastic pipeline that they have through raising finance. In order to do that, they have to go for fixed price contracts. That was kind of their strategy. We do not have to do the same. And that gives us flexibility to risk manage inside Carol's portfolio. That is a significant upside relative to what they were planning to do, and you can see that inside the base case with a second brick.

Bernard Looney: Great. Roger, thank you. Thanks for joining us. Let's go next to Biraj Borkhataria from RBC. Biraj?

Biraj Borkhataria (RBC): Hi, thanks for taking my question. I have got two please. The first one - thinking about the economics for this type of business, obviously subsidies are one of the key drivers making returns positive or negative. So you are sort of taking a view on the runway on those subsidies. So can you just walk us through some of the assumptions there? One of the concerns we have had is that presuming as this stuff gets built out and the wider by biodiesel market and so on gets built out, then the level of subsidies should go down in theory.

Then the second question is just a wider question on your transition business EBITDA targets. You have a $10 billion contribution at the EBITDA level, is there any comments you can make around the differential between EBITDA and CFFO? One of your peers actually put out similar targets both at EBITDA and CFFO level, and there was quite a big distinction between the two. I am just trying to understand what that would be for bp. Obviously, a lot of these projects would be levered up in that kind of category, so assuming that gap widens over time, any color on those would be helpful. Thank you.

Bernard Looney: Thank you. Murray, take the EBITDA question and CFFO question, and then Carol will take the subsidy question.

Murray Auchincloss: We probably won't talk about the broader strategy at this session. It is mainly focused on the Archaea transaction. We do not intend to put any leverage against the 70 mboed. It will be pure equity funded through bp capex. So I think that starts to answer that question. But as far as the broader $10 billion we can come back to those questions at third quarter and further quarter results, if you do not mind. I just want to keep the narrow to the Archaea transaction.

Bernard Looney: Great. But no leverage, I think is a key point. Then Carol, to you, So this isn't just based on subsidies, is it, and what have you assumed?

Carol Howle: No, so not just based on subsidies. And we have done a number of scenarios and stress tested this, and what we have looked at is the assumptions that we do have in there with regarding RINs are below the one year average and two year average. Say, we have looked at different stresses. We have thought about, what if the federal program does go? So then looked at what the different state opportunities are. We have also looked at new pathways, potentially pathways into hydrogen, into methanol, pathways into eRINs if that occurs.

With regard to the biodiesel, there is also a challenge, a constraint, in the market currently around feed stocks as well into the biodiesel area. So that we think is another piece that gives you some fundamental outlook around constraints going further. But what I would say is stress tested multiple scenarios, different pathways, not reliant on a RIN value in itself.

Bernard Looney: Conservative assumptions, and we stress tested it without any subsidy, which has been in place for 15 years or something like this. These subsidies have been around. It is still a good deal and it is not just people that are doing compliance programs, it is customers now that want this product and are willing to pay more for it because of its environmental credit. So lots of ways to the answer. Again, back to the point, Biraj, if anyone can solve that equation, it ought to be us with the trading optimization opportunities that we have. Thank you. Go next to Amy Wong at Credit Suisse.

Amy Wong (Credit Suisse): Hi, good afternoon. Question for me, if I run some really quick numbers on some of the metrics that you provided, it does seem to assume that you are hitting your $1 billion EBITDA by 2027. Your EBITDA per unit actually improves from the current level. Could you talk about the moving parts of what is contributing to that improvement in EBITDA per unit? Is it cost, is it pricing? What are you taking a view on?

Bernard Looney: Amy, when you say unit, could you clarify which unit you're referring to?

Amy Wong: So if I were to take a look at your, say, BOE [barrel of oil equivalent], barrels of RNG produced and taking a look at your EBITDA targets, if I take a very simplistic view of EBITDA per barrel.

Bernard Looney: Okay. All right. Very good. Carol, you got a view, or Murray, you got a view on that? This is predominantly landfill, isn't it?

Carol Howle: It is predominantly landfill. And so the view that we have got, on the landfill side and in the portfolio overall is - we have talked about the ability that we have, and believe, that through the joining of the two portfolios from a trading optimisation perspective, we can look at better value for that portfolio overall by bringing the parts together. Bringing that customer base I talked about. The pipeline agreements, that is a sunk cost already. We can flow the RNG through there. We can expand into the clean marketing agreement. We can expand into the utility sector. We can also look at global diversified markets. Export LNG. We could take biogas into Cherry Point refinery, for example, from a hydrogen perspective. We can look at taking this product into power and EV charging ultimately. There's lots of expanded growth around that going forward. I think also looking at it, you touched on it Bernard, around the efficiency that we could get from the applied sciences and from the expertise that we have from the gas processing that is in Dave Lawler's team. We couple that with the entrepreneurial spirit in Nick and Archaea's team, and I think we will see additional benefits there. I would just add that we have been conservative in some of our assumptions, and so I do think that we, in addition to that, we should see some environmental upside.

Bernard Looney: We have assumed less volume and more cost as you would, I think, want us to do rather than the other way around when we are buying something. I do not think there's anything on the top down basis, Amy, on an EBITDA per boe basis that is different. This is built from the bottom up and these are plans that we believe in. I think you're aiming for roughly 50:50 equity versus supply agreements in 2030 out of a 70 mboed piece. We are doing about 35mboed equity/35 mboed supply agreements. So hopefully, Amy, that helps. Let's go next to Alastair Syme at Citi.

Alastair Syme (Citi): Thanks, Bernard. A couple of questions. Firstly, we are in a world of rising rates, so I just wanted to check this assumption around accretion on EPS and free cash flow per share, particularly what year you're targeting there. Then secondly, Bernard, you showed the photo of Assai and it just strikes me that the world's largest biogas plant is a 2,000 barrel a day plant. Can you just sort of comment about how you think about scale, sort of moving bp from a business where you're dealing with large capital projects to 50 to 80 quite small projects.

Bernard Looney: Great. Alastair, thank you. Murray will take the accretion question. I think, I understand what you're saying about scale. I think $2 billion of EBITDA from biogas in

2030 is decent scale on a financial standpoint. This is a business that has scaled financially. It has growth, it has tailwinds. We expect this sector to grow 25 fold between now and 2050. So it has tailwind, it has growth, and it does have financial scale. Obviously, the parts of that scale are, as you quite rightly point out, smaller. There's 2,500 landfill sites in America today, 500 are operational from a gas capturing standpoint. There's about 1,000 more landfill sites that are suitable for collection. Archaea has already got access to about 100 of the 1,000.

Yes, this will be a different scale of business to maybe what we are used to in the old upstream of building lots of different things. But it is not different to what we are doing in the onshore United States where we are drilling single wells. That is why we have created bpx. That is why we brought Dave Lawler in in 2013 because we knew that it would take a different mindset to manage that business, which is at a different scale. It is much smaller capital on a per well basis. It is much more flexible, it is different. And Dave, I think, has done a brilliant job managing that. That is why this business will be brought in under Dave because he understands what it takes to give that business the degree of independence that it needs because it is a different physical scale and therefore the cycle times need to be very fast.

He understands that. He's also got six or eight years of experience, some might call them scars, of making sure that he's also able to leverage the best from bp and he has done that. This is what we think is a perfect fit. We have got a model that works here and we are going to put it under Dave to make sure that it continues. Because you are right, it is a different scale of business at an operating level, but it is something that we have experienced now of being able to do within bp and we just need to extend that model. But from a financial perspective a $2 billion EBITDA business in biogas is obviously a material business even for a company like bp. Murray, accretion and interest rates, your favorites.

Murray Auchincloss: If I can just add one point to the scale thing. It is like a TCF of natural gas that we purchased. When you look at the landfill development pipeline we have, when you look at the 30 to 50 year producing life of these things, when you look at the nature of the reservoir flow, it is probably a TCF of gas that we purchased. That is pretty material. And of course, the margin is much higher than a normal natural gas business with, with the customer demand and the system in the US. So this is pretty sizable from an EBITDA perspective at $2 billion. You would have to think of it as one TCF in conventional language, but something much larger from an earnings perspective. Then the simple answer on accretion is post-integration. You would anticipate post-integration, so completion and then integration probably by somewhere around mid-2024 or something like that. We should expect accretion on earnings and cash flow. We will report back to you on that over time as we go through the completion and integration process.

Bernard Looney: Thanks, Murray. Thanks very much, Alastair. Let's go to Martjin Rats at Morgan Stanley. Martin?

Martjin Rats (Morgan Stanley): Yeah, good afternoon. Three for me, but they are all sort of relatively short. First of all, I was wondering if you had an agreement with existing management to stay, and if so, how they might be incentivized. In addition, I also wanted to ask about Europe, because the REPowerEU plan also has quite a heavy component of biogas in it, and I was wondering if the sort of the position you build up in the United States sort of travels in terms of competitive advantages to other regions, including Europe and whether this could be the start of a sort of broader expansion. I recognize you already sort of said a bit about it, but I thought it was quite interesting.

Finally, just from my understanding in terms of sort of price realizations for this type of gas, I would imagine this sells at Henry Hub plus something, but is there sort of a premium for biogas over regular gas? If you could sort of give some sort of quantification of that, that would be useful.

Bernard Looney: Okay, great. I will let Murray and Carol decide on the price realizations. On management - the management team are coming over to us. I spoke with Nick, the CEO and the co-founder. I hope he won't mind me saying, but this transaction makes him rather well off, but he wants to continue to work. Why does he want to continue to work? Because he is passionate about this business. He has built this business from scratch. He thinks it makes a great contribution to the world and he wants to kind of unleash himself from the public CEO role and focus on growing this business. He is desperately keen to do that. He and I and Dave and the Chairman had a fantastic meeting of minds on this and what he can do inside the company.

He is driven, not financially, he is driven by how does he take something that he has created and take it to the very next level. If anyone can do it, he can, and we ought to be able to turbocharge his ability to do that. But to answer your question, the CFO, the CEO, the COO, are coming with this transaction. I have just outlined how I think the CEO is incentivized. He is incentivized to make this business be the absolute best it can be because it is a business he built and he created.

In terms of Europe, just very quickly, Europe is also attractive. We have got bp Aral building out its CNG network now in Germany. We have thousands of retail stations in sites in Germany. We are putting in compressed natural gas stations in Germany. We have talked about what is happening in Britain. There are other opportunities that we can and we will look at, but whatever we do has to fit within the capital frame. So there is a global business here without question, but we will be disciplined in any of our transactions. As Murray has said, and we have said, it has to fit within that $14 to 16 billion. Then finally, guys, the price question.

Carol Howle: So in terms of price realizations, I think that the first thing to say is yes, RNG does attract more than the pure Henry Hub molecule of gas. So it is a molecule of gas plus, then it depends on how the customer values it. Is the customer looking to take an RNG molecule from a lower CI [carbon intensity] and decarbonization perspective, or are we looking to take that molecule into the transportation network where it would qualify for an environmental attribute and that environmental attribute, depending on the source of the RNG, carries with it a different level of value.

So it is Henry Hub plus a customer value plus an environmental attribute, ultimately giving you a higher value price. We can talk about what it was in the spot market at the end of the month, if that is helpful. Henry Hub was valued at $6.87 per mmbtu at the 30th of September. The value of a D3 RIN, as an example, was valued at just over $33 mmbtu. So the total value that you are getting is that credit plus your physical molecule.

Bernard Looney: Brilliant. We are becoming experts in D3 and D5 RINs, at least Carol is, and she is trying to teach me. I think that just gives a good sense of, Martjin, the value differential. Hope that helps. We will keep moving. Henry Tarr, Berenberg.

Henry Tarr (Berenberg): Hi there, and thanks for taking my questions. Two really. One, I suppose you talked about feedstock already and that potentially you have got access to another 100 landfill sites, how is that access at this moment in time? Is that agreements with those landfills that are binding or exclusive? Then I guess the other question is, does Archaea bring anything differentiated from the tech side or IP (intellectual property), or is it really the knowledge of running that business? Thanks.

Carol Howle: So on the first question, actually I will do the technology question first, that might be easier. When we are looking at the value that they can bring from a technology side, they do have a modular delivery which looks like it is about 45% cheaper than industry standard. They are also looking at and have contracted around 22 of those sites already in terms of getting the supply chain secured. There is value there. Then backing into that, in terms of your question around what do we have contracted from those landfill sites, from that project pipeline, we have got more than 75% contracted. So legal rights associated with the gas offtake.

Bernard Looney: Great. Excellent. We will keep moving. Henry, thank you. Christyan Malek on the webcast.

Christyan Malek (JP Morgan): Will this mean 2022 capex is now above the $14 to 15 billion range guided, and if so, what can you say to give confidence that the 2023 plus range of $14 to 16 billion will remain unchanged in the coming years?

Question two, buyback, putting this against your 60% surplus cash flow mechanism for buybacks implies a much lower buyback for the second half of the year versus what's been announced for the first half. Will you look to top up to keep the buyback unchanged?

Third question. Why do you need to grow this business inorganically rather than build it yourself, given the scale bp already has.

Bernard Looney: On the third question, we are building it inorganically because it accelerates growth by probably three to five years versus building this organically. So it gives us a huge accelerated growth move, and that is why we are doing it on an inorganic basis. We are doing it because we feel that we can get double digit returns in the base case, and it is accretive and it is a great use of our capex. Murray, on the first two.

Murray Auchincloss: 2022 capex. We spent $5.7 billion in the first half of the year. Christyan, we will see what Q3 is in a few weeks time when we talk with the market. This is obviously $3.3 billion on top of that $5.7 billion, so we feel that we are still within the range of $14 to 15 billion, we are probably at the top end of that range now. So that is how we are feeling about it. And of course we pay an awful lot of attention to capital discipline. We have given you a financial frame that has five priorities from the dividend to the balance sheet to capex to the buybacks, and we are sticking with that guidance, so no change to it. That is why you can have confidence in it.

As far as buybacks themselves, I think the best thing to do is that I just reiterate the guidance that we have given to the market before on buybacks. We are putting 60% of surplus [cash flow] to buybacks. When the Board goes to make a decision in the second half, so in the third quarter, and then in the fourth quarter, they will contemplate the cumulative level of surplus [cash flow] we have generated along with the outlook for surplus [cash flow] and then decide what we do. We haven't provided any more guidance, nor do I intend to today.

Bernard Looney: Murray, thank you. I think the fourth question was about should we be buying an oil shales business rather than this business? I think, Christyan, the answer is I am not sure that anybody's ever made money buying hydrocarbon assets at a hundred dollar oil, so that would be our response there. Christyan, thank you. Next we will go to Giacomo Romeo from Jeffries.

Giacomo Romeo (Jefferies): Yes, thank you. Two questions. One, just going back to your $1 billion EBITDA indication for 2027, and I am just trying to relate that number to what we can see in the presentation from Archaea that has a long-term earnings generation power from the existing pipeline of $600 million EBITDA. So just trying to understand how to bridge between the $600 million and to the $1 billion. Is that just the trading and the sort of optimization you discussed in the earlier questions? Or is there anything else in there from a volume metrics perspective?

Second question is you talked about Archaea is currently making $140 million EBITDA out of 6,000 barrels per day of assets. Just wondering how that relates to how much you are making out of your existing assets in your portfolio, whether your existing assets are able to generate higher EBITDA or lower EBITDA, something within that range. Those two questions. Thank you.

Bernard Looney: Fantastic. I will ask Carol to take both, I think on the answer to the first one is that yes, you are right, it is the optimization and all of the benefits that we bring, but Carol, anything further to add on the $1 billion versus the $600 million?

Carol Howle: No, I mean, I think we covered it before in terms of the trading optimization, but just thinking around as I say, that existing portfolio that we have in the US where you've got 3,000 plus customers, we have got 300 plus pipeline agreements, we have got a highly capable gas and power trading team who can manage the risk and the price structuring around this. We have got different sources when we combine the two portfolios, we have got different sources of RNG together. We are going to have access to both voluntary customer demand, which is increasing, whether that is fleets or whether that is into industrial use or into rapid transit or into power or into refineries, into hydrogen or into methanol. There is a lot of opportunities set around that, but I think it comes from the scale of the bp portfolio, the added capability of Archaea and the trading optimization capabilities.

Bernard Looney: Murray, anything you'd add on that?

Murray Auchincloss: Nope, that is perfect.

Bernard Looney: Great. Okay. Excellent. On the $140 million EBITDA, and is it better or worse than what we are getting in an EBITDA? I guess we get returns. Go ahead, Murray.

Murray Auchincloss: We get the same returns and then we get an uplift on top of it

Bernard Looney: Because of the offtake.

Murray Auchincloss: Because of what Carol's talked about. Yep. We buy fixed and we 'variableise' it, so that is where you get the upside. That gives us confidence in the deal.

Bernard Looney: Giacomo, thank you. We will go to Paul Cheng at Scotia Bank. Hi, Paul.

Paul Cheng (Scotiabank): Okay, thank you. Two questions. I believe you guys have a small JV on developing RNG with Clean Energy and certainly this is a much larger scale acquisition. How does this impact on that deal or your relationship with Clean Energy going forward? Secondly, Carol, you are saying that you may want to target the transportation, and so CI is important and the dairy manure is a much lower CI than the landfill. From that standpoint, on a going forward basis that are you guys still going to primarily focus on the landfill or that in order to get to the transportation, you're going to ship more of the development effort into the dairy? Thank you.

Bernard Looney: Paul, two great questions. Clean Energy relationship, Carol, and then landfill versus dairy farm in Euro.

Carol Howle: Yes, so you are absolutely right, Paul. We do have a really good relationship with Clean Energy, both on the co-marketing side, but also on the renew co side, which is upstream. This is very complimentary to that as well because we co-market. The more sources we can bring into that in terms of supply, the more that we can actually market out. Also with Clean, we are more focused around the dairy digester side of the portfolio, and this is on the landfill side, and I think that is the thing we are trying to create here.

We are creating here a portfolio, so it is going to be dairy, it is going to be landfill. We are also looking at food waste, different attributes, different customers, demands and different valuations on them that we can optimize as that overall portfolio. Then on your question around CI, quite a bit of what we are seeing at the moment is displacement of diesel. So RNG is a lower CI than diesel, for example. We can displace that diesel going forward. It is a lower carbon intensity, so that is scenario that we see from the fleets perspective. Whether that is industrial usage, as I say, Port of Los Angeles looking at, so replacing some of their fleet there with RNG, you look at what's happening on mass transit, they are also looking at, well actually how can we replace diesel there and indeed on refuse trucks, how do we replace diesel and replace it with RNG, so it has a lower CI than that in the transportation sector. So there are certainly benefits there too.

Bernard Looney: And food waste is D5 and landfill is D3.

Carol Howle: Correct.

Bernard Looney: Okay. Thank you, Paul. Jason Gabelman, Cowen & Company, and we will have one more question after Jason.

Jason Gabelman: Hey, thanks for taking my questions. I just wanted to ask maybe on the trading and optimisation again. On the split between kind of how much you're selling into power, then how much you're selling into transportation, and then specifically how much you're selling into transportation in markets with LCFS credits. Do you have a sense of how that volume split out within the volume that you're acquiring? That is really my only question. Thanks.

Bernard Looney: That is super helpful, Jason. Carol?

Carol Howle: In terms of the volume we are acquiring, so we know that in 2022, Archaea had a target of around 50% of fixed price contracts. Those would be going, for example, into 'A' rated utilities, and that is for 2022 discrete production going forward. We estimate that that is going to be around 30% of their long-term portfolio. I think what is important here is to note that any contracts that they have in place at the moment, we will of course honor, but we can honor those by using different sources through the overall RNG portfolio that we have so that we can maximize the value for the portfolio. I would expect gradually over time to see that there'll be more going into transportation than there would be going into the power sector.

Bernard Looney: Very good. Fantastic. Thank you, Jason. Then the final question to Sam Margolin at Wolfe Research. Sam,

Sam Margolin (Wolfe Research): Hi. Morning everybody. Thank you. Two questions. The first one is kind of related to Martjin's about policy. One of the things that has been discussed since the IRA passed is how US policy around carbon credits and various biofuels is a little more transparent than other parts of the world. So I guess I'd be interested in your opinion as to whether this US regime or framework might become transferable or become a model for other places so that we can better understand incentives in other markets. Then secondly, a follow up on what you said about hydrogen. I was just wondering broadly what you prefer in the green hydrogen space, renewable power through electrolysis or this through some kind of carbon capture enabled SMA. Thank you.

Bernard Looney: Excellent, Sam, thank you. Maybe take both of them, on hydrogen. I think the long term, the world will be green hydrogen to get hydrogen going I think we will find that there is a combination of blue and green hydrogen and with blue hydrogen today getting started quite quickly. Of course, if you can do that blue hydrogen but renewable natural gas, it might even be better. I think hydrogen for the long term will be a green hydrogen space. You will see bp playing in both blue and green in the early days with the longer term focused around green.

On the IRA and in the US, all I would say from a global perspective is that the transparency is good. and that I think it is causing policy makers in Europe and here in Britain to really look at what America has done because it really has changed a game in terms of the attractiveness of investing in to sectors like this in the transition and is going to make I think a material difference. That is what we are seeing from a policy perspective more globally. Anything to add Carol, Murray?

Murray Auchincloss: No.

Bernard Looney: Great. Excellent. Well, thank you, everybody.

[END OF TRANSCRIPT]