

Every Dollar Counts

Tony Hayward Press Release April 16, 2009

bp



press release

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BP AGM Speech

Tony Hayward, BP Group Chief Executive

Thank you Peter, Ladies and gentlemen, good morning.

It is more than the usual privilege to address this meeting today. As Peter has already said, this is a special moment in the history of the company – this year is our 100th anniversary – 100 years since the company was formed.

Not surprisingly, we've been reflecting a little on our history. I believe it is of great value to look at what we've done over the past 100 years and learn from them. And one thing stands out whilst today's challenges are very real, we have overcome far worse situations.

BP has been, and remains, an organisation operating at the frontiers of the energy industry. Our technology and capability allow us to take on challenges that others cannot – or choose not – to confront, securing access to new resources now as in the past – from iron 100 years ago to the Canadian sector today.

But operating at the frontiers is not without risks as we have tragically experienced again this month. Yesterday, I attended the very moving memorial service in Aberdeen for the victims of the helicopter crash. That tragedy is a sharp reminder that even today, we cannot take safety for granted and our thoughts and prayers are with the families and friends of those who died.

Over the last decade, BP has assembled an excellent portfolio of assets – our job is to realise that full potential in the face of today's uncertain environment. It is not by chance that BP has thrived for so long. The integrity of our people has led to our success – and that gives me great confidence with which to face the future.



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... not only have we closed our competitive performance gap, we are very well positioned for the future.

Of course, we are facing the immediate challenge of the current economic climate and lower oil prices. In line with the increase in oil price – illustrated by the green line on this chart – we have seen a steady increase in costs. Since 2004, when the oil price was at a comparable level to today, our cost base has increased by about 50%.

BP, we started our drive to counter cost inflation some 18 months ago and managed to halt that inflationary trend in 2008 despite the continued rise in oil prices for most of the year.

The challenge for the industry now is to bring this cost base down – and to do this fast, to align with the new market conditions.

We've been working with our suppliers to improve efficiency by finding better ways to execute activity – with one important caveat: safe and reliable operations come first whatever cost efficiency measures we undertake. And we continue to advance the safety and reliability of our operations through implementing our Operating Management System – something that is fundamental to creating a culture of continuous improvement within BP.

Our aim in 2009 is to begin to roll back the inflationary trend by driving deflation into our business. Over the last few months, we have already seen sharp drops in the price of steel and petrochemicals. Our approach will be a proactive one. Based on the actions we took in 2008, and the deflation we can already see entering our supply chain, we expect our costs to fall by around \$2 billion in 2009.

So, in this volatile environment, we've kept a steady focus on what we said we would do.

Our goal is clear: to continue to invest for long term growth while retaining our focus on safe and reliable operations, paying the dividend and driving deflation into our cost base.

As BP we have a mantra – "every dollar counts, every seat counts" and we intend to follow it through. We have strong momentum on cost and operations – production is expected to continue to grow and refining availability is expected to be materially higher in 2009 than in 2008 – these underlying business improvements are expected to add to our cash flows in 2009.

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“**every dollar counts**, every seat counts” and we intend to follow it through.