Providing Solutions for Climate Change

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Lower carbon **growth**

BP's role is to provide the energy that the world needs.

But the company is also committed to balance the increasing need for affordable energy with respect for people and the environment.

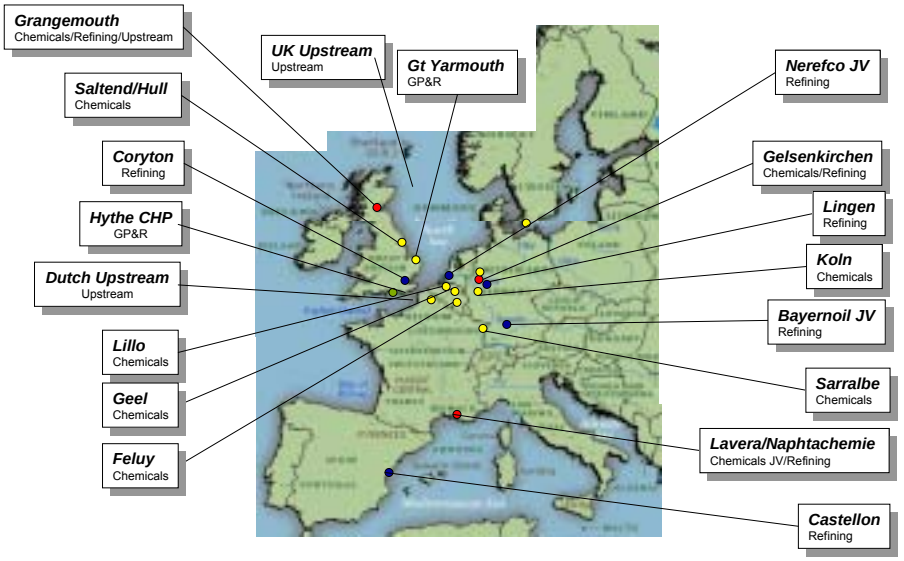
BP in a global energy context

- World's estimated annual emissions from hydrocarbon consumption is equivalent to 24 billion tonnes of CO_2
- Emissions from BP's products are about 17 times larger than the emissions from our operations
- Our forward plans focus on our products as well as operations

BP and climate change – a history of leadership

2005	Plan Hydrogen power plant including carbon capture and storage
2004	Achieve GHG reduction over 4 million tonnes since 2001
2003	Plan Long-term business based on stabilisation of GHG
2002	Commit to stabilise emissions to 2012
2001	Achieve GHG emissions reduction target
2000	Green Operation Network / energy efficiency
1999	Internal emissions trading system
1998	Target 10% GHG reduction from 1990 baseline
1997	Advocate precautionary action

BP/Innovene EU ETS installations



Choice of Policy Instruments

- Command and control policy
- Economic instruments
- Taxes / fees
- Voluntary agreements

Key Principles for an ETS

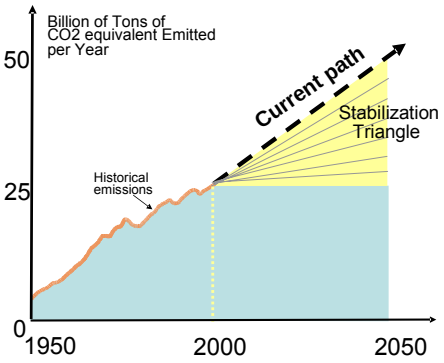
- Harmonization: rules and definitions among EU member states
- Simplicity: limitation of special rules and exemptions
- Liquidity: trading of a great volume of allowances, realistic threshold for exclusion of small installations
- Cost-effectivness:
  - low transaction costs
  - simple monitoring and reporting requirements

BP and Climate Change – ……..and Future Vision

Tackling the risk of climate change will require less GHGs to be emitted in future, on a global basis. This can be achieved by a combination of:

- Using energy more efficiently, thus reducing energy use per unit of activity
  - e.g. helping our customers use BP products more efficiently
  - Increased BP market share
- Using lower carbon energy, thus emitting less CO2 per unit of energy consumed
  - e.g. reducing the carbon content of the products we sell
  - Solar and renewables
- Capturing and storing CO2, until renewable, or zero carbon energy is economic

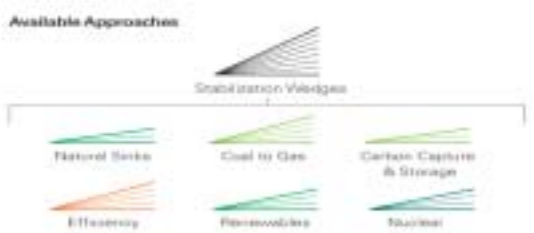
The Climate Challenge



- In next 50 years, global emissions will double unless action is taken
- The challenge is how to stabilize atmospheric concentrations of greenhouse gases while still providing society with the energy it needs
- A simple model that illustrates a series of actions ('wedges') that could each reduce annual emissions by 3.5 billion tonnes of CO_2 by 2050
- Examples of a 'wedge' include:
  - doubling the fuel efficiency of 2 billion cars
  - gas replacing coal in 1,400 large new power stations
- The technologies are known today

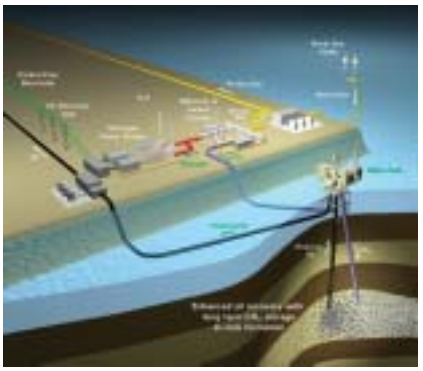
Efficiency gains and the ‚Wedges'

Research at Princeton University supported by BP has identified many available approaches that could all contribute "wedges" of carbon reductions.



Energy Efficiency technologies and interventions could deliver around 50% of the emissions reductions required to bring global emissions back down to today's levels by 2050.

De-carbonised power: the future?



- BP announced de-carbonised 350 MW electrical plant in Scotland on June 30th 2005
- It will convert natural gas to hydrogen and CO_2:
  - Hydrogen will be used for power generation
  - CO_2 will be exported to a North Sea oil reservoir
- $600m investment, 2009 start-up
- CO_2 emissions reduced by 90% compared to gas fired power generation

The project is expected to capture and store around 1.3 Mte CO_2 each year and provide 'carbon-free' electricity to the equivalent of 250,000 UK homes.