



15th April 2010 – 14th April 2011

Murco Petroleum Ltd

**Renewable Fuels Annual
Report to the
Department for Transport**

15th April 2010 – 14th April 2011



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Contents

1. Renewable Fuels Annual Report to the Department for Transport.....	3-6
1.1 Business Review	3
1.2 Corporate Social Responsibility.....	4
1.3 Renewable Transport Fuels Approach	5
1.4 Annual Return	6
2. Carbon and Sustainability Characteristics of Fuel Supplied	7-8
3. Fuel Supplier Information.....	9
3.1 Biodiesel Supply	9
3.2 Fuel Suppliers	9
Independent Assurance Report of KPMG LLP to Murco Petroleum Limited	10-12
Appendix 1 – MOC Worldwide Environmental, Health and Safety Policy	13-14



15th April 2010 – 14th April 2011

1. Renewable Fuels Annual Report to the Department for Transport

The directors present their Annual Report containing the aggregated summaries of the Carbon and Sustainability characteristics of the biofuel supplied during the obligation period 15th April 2010 to 14th April 2011, and the assurance provider's opinion thereon.

1.1 Business Review

Murco Petroleum Limited is the UK's smallest integrated crude oil refiner and marketer of oil products with a market share of approximately 7 percent of the UK's refinery capacity and approximately 2 percent of the retail market. During the obligation year the refinery's crude processing capacity increased from 108,000 to 135,000 barrels of crude oil per day. This was part of a capital improvement program of about £150 million implemented during the plant turnaround, that also included numerous other projects, the most important of which being a natural gas firing cogeneration plant, many energy efficiency improvements and improved cracking technology. Crude and product storage capacity remained constant at 8,800,000 barrels. Murco distributes refined products in the United Kingdom from Milford Haven Refinery. There are three rail fed distribution terminals which are used to supply product to Murco's own retail network and also to other oil companies and distributors who either buy, exchange or operate throughput arrangements.

The Company is a wholly owned subsidiary undertaking of Murphy Oil Corporation, the ultimate controlling party, incorporated in the United States of America. Murphy Oil Corporation has worldwide interests both upstream and downstream and operates three refineries, two in the USA in addition to Milford Haven.



15th April 2010 – 14th April 2011

1.2 Corporate Social Responsibility

Murco's stated approach to Corporate Social Responsibility is outlined below:-

The Board of Directors treats the area of social responsibility as fundamental to the way the Company conducts its business. The Board of Directors believes that positive actions with respect to environmental and social responsibility are not only desirable in their own right but are also of potential economic and commercial benefit to the Company and considers environmental and social matters for identifying, evaluating and managing risk to the Company.

The Company's approach to Corporate Social Responsibility can best be summarised by its stated core values published in the Statutory Accounts:

- To conduct our business dealings with integrity, in a socially responsible and ethical manner
- To treat our customers, suppliers and employees fairly, with respect and dignity
- To provide good quality products and service
- To conduct our activities in a safe and environmentally responsible manner

The principles detailed above support Murphy Oil Corporation's published statement on Environmental, Health and Safety Policy which is detailed in Appendix 1.



15th April 2010 – 14th April 2011

1.3 Renewable Transport Fuels Approach

In accordance with the policies outlined above the Directors aim to ensure the Company meets all obligations and requirements as outlined by the Renewable Transport Fuels Obligation (RTFO). Following a review of the Company's Renewable Transport Fuels Approach, the Company made an economic decision to supplement its biodiesel blending operations during the obligation period with the purchase of RTFCs (Renewable Transport Fuels Certificates) from other obligated suppliers whilst it identified suitable new opportunities for sourcing and blending biomass to meet its future obligations.

Murco are currently researching the development of bioethanol dosing facilities at Milford Haven Refinery and at its terminals in order to meet future environmental obligations. Should the results of this research be positive then the Company would be looking to bring the new facilities online in 2012. In the meantime purchases of RTFCs from other obligated suppliers will continue to be required during the fourth year in order to meet the Company's obligation.



15th April 2010 – 14th April 2011

1.4 Annual Return

The Directors submit the aggregate summaries of the Carbon and Sustainability characteristics of the biofuel supplied during the obligation period in the format stipulated by the Renewable Fuels Technical Guidance in Section 2.

As with its year two report, Murco has applied a strict application of the Renewable Fuels Technical Guidance, ensuring that only disclosures supported by the standard of evidence required by the Independent Assurance Provider are incorporated into Tables 5 and 6 in Section 2. All other entries have been disclosed as unknown.

The Directors are pleased to report that sufficient evidence has been obtained to allow disclosure of the Feedstock Type and Country of Origin for all purchases made in the obligation year. Narrative statements have been made in Section 3 of this report based on information provided by our suppliers in respect of the unknown disclosures.

On behalf of the board

Dated 20 September 2011

A handwritten signature in blue ink, appearing to read "B. Pouille".

B. Pouille
Supply Director

A large, stylized handwritten signature in blue ink, appearing to read "B. Kelly".

B. Kelly
Managing Director



15th April 2010 – 14th April 2011

2. Carbon and Sustainability Characteristics of Fuel Supplied

Section 2: Aggregate Summaries of the Carbon and Sustainability Characteristics of the Biofuel Supplied during the Obligation Period
2.1 Table 5: Annual Report Table for - Summary of Feedstock Mix; Percentage of Verifiable Data Reported; Percentage of Feedstock which meets the Qualifying Standards and / or RTFO Biofuel Sustainability Meta-Standard; Average Carbon Intensity and corresponding Greenhouse Gas (GHG) Savings

Feedstock	General		Environmental % Meeting Qualifying and/or RTFO standard	Social % Meeting Qualifying and/or RTFO standard	Carbon	
	% Fuel supplied by feedstock type (by volume)	% Data reported on biofuel characteristics			Average carbon intensity g CO2e / MJ	Average % GHG saving
Biodiesel ME						
Oilseed rape	100	50	0	0	52.0	38.0
Weighted average (all fuels)	100	50	0	0	52.0	38.0
Target (2010/2011)	-	90	80	-	-	50

* UK Government targets for data reporting of renewable fuel characteristics as laid out in the Department for Transport's Carbon & Sustainability Reporting Within the Renewable Transport Fuel Obligation Technical Guidance document v3.4 May 2011.



15th April 2010 – 14th April 2011

2. Carbon and Sustainability Characteristics of Fuel Supplied

Section 2: Aggregate Summaries of the Carbon and Sustainability Characteristics of the Fuel Supplied during the Obligation Period
2.2 Table 6: Feedstock Carbon & Sustainability Characteristics

General information		Sustainability information				Average carbon information	
% of total feedstock type	Feedstock origin	Standard	Env Level	Social Level	Land use on 01 Jan 2008	Carbon intensity incl LUC (g CO2e / MJ)	GHG saving (%)
Oilseed rape							
100	United Kingdom	Unknown	-	-	Unknown	52.0	38.0



15th April 2010 – 14th April 2011

3. Fuel Supplier Information

Murco started the obligation year continuing to blend Oilseed Rape with diesel for supply into the UK market. In doing so Murco has been able to obtain a successful verification for Country of Origin and Feedstock Type for all Oilseed Rape blended in the obligation period.

As in the previous obligation year, our supplier submitted declarations to us containing all of the information necessary to complete Tables 5 & 6. Although we have not been able to obtain sufficient corroborating evidence to report all of this data in Tables 5 & 6, we have no reason to consider that the information provided by our suppliers is not accurate.

3.1 Biodiesel Supply

The blended product was sourced from a single supplier and has enough evidence to be recorded as Oilseed Rape and Country of Origin, UK. In addition the supplier declarations confirm that the product is from land previously designated as Cropland and that it is ACCS and GenesisQA compliant.

3.2 Fuel Suppliers

Murco sourced all biomass purchased in obligation year 3 from a single supplier.

Murco does not buy feedstock direct from the farms; the company makes purchases from either traders or processors. As such Murco's direct suppliers do not produce any of the feedstocks and have little, if any, influence on the use of idle land.

To the best of Murco's knowledge no Murphy business, nor any of the suppliers within the biodiesel supply chain have been successfully prosecuted for breaches of compliance with any environmental and/ or social regulations relating to biofuel activities. Murco do not have any verified Environmental or Corporate Responsibility reports.



15th April 2010 – 14th April 2011



Independent Assurance Report of KPMG LLP to Murco Petroleum Limited

KPMG LLP was engaged by Murco Petroleum Limited ('Murco') to provide limited assurance over the information reported in Murco's Annual Report to the Department for Transport in connection with the Renewable Transport Fuel Obligation for the period from 15 April 2010 to 14 April 2011 ('the 2010/11 Renewable Fuels Annual Report').

This independent assurance report is made solely to Murco in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Murco those matters that we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Murco for our work, for this independent assurance report, or for the conclusions we have reached.

Responsibilities of the Directors of Murco

The Directors of Murco are responsible for the preparation of the 2010/11 Renewable Fuels Annual Report and the information and statements contained therein, and for establishing and maintaining appropriate performance management and internal control systems to ensure that the information reported therein is derived in accordance with the Carbon and Sustainability Reporting section within the RTFO Technical Guidance Part 1 v3.4 (Technical Guidance).

Responsibilities of the independent assurance provider

Our responsibility is to express our conclusions to Murco on the findings of our work referred to below.

Scope of work

We examined the carbon and sustainability data in Tables 5 and 6 on pages 7 to 8 ('the C&S data') and the other statements and assertions reported in pages 3 to 9 of the 2010/11 Renewable Fuels Annual Report.



15th April 2010 – 14th April 2011

Basis of our work

We conducted our work in accordance with International Standard on Assurance Engagements 3000 (ISAE3000): *Assurance Engagements other than Audits or Reviews of Historical Information* issued by the International Auditing and Assurance Standards Board and the requirements of the Guidance for Verifiers. ISAE 3000 requires that we comply with applicable ethical requirements, including independence requirements. The traceability, completeness, consistency and accuracy criteria from the Guidance for Verifiers have been used to evaluate Murco's application of the Technical Guidance in the preparation of the Report.

Work performed

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to be able to give limited assurance that the Technical Guidance has been applied to aggregate, generate and report the information reported in the 2010/11 Renewable Fuels Annual Report.

Our work was limited to examining the relevant activities undertaken at Murco and consisted of:

- Examining the Technical Guidance and understanding key assumptions and limitations;
- Conducting interviews with management and other personnel at Murco to obtain an understanding of the systems and controls used to generate, aggregate and report the C&S data and the basis for other information contained within the 2010/11 Renewable Fuels Annual Report.
- Examining and testing the systems and processes in place to generate, aggregate and report data, and assessing compliance with the Technical Guidance;
- Assessing the completeness and accuracy of the data by testing the operating effectiveness of systems and controls and reviewing relevant supporting documentation used to aggregate and report the data;
- Agreeing information obtained from biofuel suppliers to data used by Murco; and
- Obtaining evidence to support significant statements and assertions within the 2010/11 Renewable Fuels Annual Report and with reference to the criteria set out within the Technical Guidance.

The extent of evidence-gathering procedures for a limited assurance engagement is less than for a reasonable assurance engagement, and therefore a lower level of assurance is provided.



15th April 2010 – 14th April 2011

Inherent limitations

The 2010/11 Renewable Fuels Annual Report has been collated based on information received from Murco's biofuel suppliers. Our assurance work has not included seeking evidence from suppliers in support of their assertions regarding previous land use and the environmental and social standards of the fuel supplied.

Conclusion

Based on the work performed, nothing has come to our attention to suggest that the information reported in pages 3 to 9 of the 2010/11 Renewable Fuels Annual Report has not been compiled, in all material respects, in accordance with the Technical Guidance.

KPMG LLP

KPMG LLP

Chartered Accountants

London

20 September 2011



15th April 2010 – 14th April 2011

Appendix 1 – MOC Worldwide Environmental, Health and Safety Policy



Murphy Oil Corporation Worldwide Environmental, Health and Safety Policy

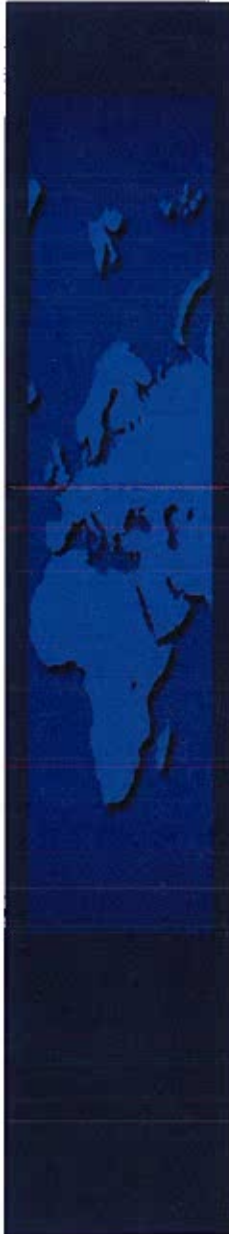
Policy

The policy of Murphy Oil Corporation (Murphy) and all its subsidiaries is to conduct business in a manner that respects the environment as well as the health and safety of its employees, its customers, its contractors and the communities where we operate. The foundation for Murphy's success is achieving outstanding environmental, health and safety performance equivalent with operational excellence and positive financial results.

Environmental, Health and Safety (EHS) Guiding Principles

To accomplish our EHS Policy, Murphy will:

1. Demonstrate visible and active leadership in all of our business activities by providing resources necessary to manage and communicate EHS commitment, expectations and accountability in the same manner as any other critical business function. Appropriate systems and procedures will be enforced to ensure compliance with this policy and these principles.
2. Make it clear to all employees and contractors that working safely is a condition of employment. Expect every employee and contractor to take personal responsibility to understand and implement the principles of this EHS policy.
3. Comply with all applicable EHS laws, legislation, international agreements and regulations in the countries or communities where we operate and implement responsible controls where such laws, legislation and regulations do not exist.
4. Provide training and training criteria to our employees and contractors to perform their job safely and effectively utilizing their knowledge and skills to maintain a safe and healthy work environment.



5. Identify and assess potential hazards and threats to people, the environment, and assets. Implement reasonable and practicable actions to eliminate, mitigate, or manage these risks.

6. Continue to minimize the impact of our operations, products and services on the environment by implementing economically feasible projects that promote energy efficiency and use natural resources effectively.

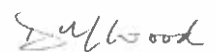
7. Strive to achieve our goal of eliminating environmental and safety incidents. In the event an incident occurs, appropriate response, corrective action and reporting will be performed in a timely manner.

8. Work proactively with stakeholders to develop and advance effective approaches to human health, safety and environmental protection.

9. Achieve continuous EHS improvement and compliance by setting targets, auditing assets and business practices, reviewing results and reporting on our performance.

10. Implement EHS management systems to achieve the objectives outlined in this policy.

By adopting this EHS Policy and set of principles, Murphy Oil Corporation demonstrates its commitment to conduct business in a manner that protects human health and the environment. We intend to make consistent measurable progress in implementing these principles and apply them to all aspects of our operations.



President and Chief Executive Officer

February 4, 2009