

# BP plc

## Transition Assessment | Energy (Oil and Gas) | United Kingdom

### The Entity and Business Activities

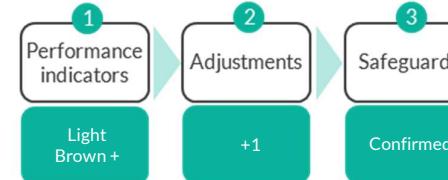
BP plc is an oil and gas (O&G) major with activities encompassing the entire O&G chain. Products range from oil and natural gas to biofuels and renewables. BP's upstream production was 2.3mmboe/d in 2022. It expects its hydrocarbon production to decrease by 25% by 2030 from 2019.

Activity	% of revenue	Business Activity Description
Gas and low-carbon energy	21	Upstream natural gas activities, integrated gas and power and gas trading. The low-carbon business includes solar, wind, hydrogen, carbon capture and storage, and biofuels.
Oil production and operations	1	Upstream oil activities, mainly crude oil production.
Customers and products	78	BP's customer-focused business, including convenience and retail fuels, electric vehicle charging, Castrol, aviation fuel, B2B and midstream. It also includes BP's products business, refining and oil trading, and bioenergy.
Other businesses and corporate	0.4	Includes innovation, engineering, BP ventures, corporate activities and functions, and its share in the Russian energy company Rosneft. In 2022, BP announced it will exit its shareholding in Rosneft.

Source: BP annual report 2022

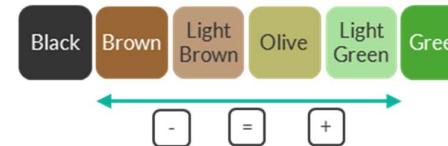
### Assessment Process

Assessment steps



### Transition Spectrum

Scale



### Outcome

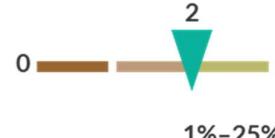
Olive

-

Note: The assessment builds on a transition spectrum, offering extra granularity with additional sub-stages to each colour stage, such as "-", "=" or "+".

Source: Sustainable Fitch

### Total green and decarbonising (of total annual investments) %



### Green-to-decarbonising investment ratio



Note: The entity's place on the grid highlights its progress in decarbonising to net zero and the extent to which it is also building out "green" alternatives.

Source: Sustainable Fitch

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## Performance Indicators

		Transition Assessment Methodology	
		Score	Out of
<b>Emissions Ambition</b>	<b>2050 Aim</b>		
	1.1 Reduction in absolute Scopes 1 and 2 emissions	4	4
	1.2 Reduction in absolute Scope 3 emissions	3	4
	1.3 Reduction in intensity life cycle (Scopes 1, 2 and 3 emissions)	4	4
	<b>2030 Aim</b>		
	1.4 Reduction in absolute Scopes 1 and 2 emissions	4	5
<b>Emissions Reduction</b>	1.5 Reduction in absolute Scope 3 emissions	2	5
	1.6 Reduction in intensity life cycle (Scopes 1, 2 and 3 emissions)	2	4
	<b>Long Term (since 2015)</b>		
	2.1 Reduction in absolute Scopes 1 and 2 emissions	4	5
	2.2 Reduction in absolute Scope 3 emissions	1	5
	2.3 Reduction in intensity life cycle (Scopes 1, 2 and 3 emissions)	0	4
<b>Financial Actions</b>	<b>Short Term (previous three years)</b>		
	2.4 Reduction in absolute Scopes 1 and 2 emissions	5	5
	2.5 Reduction in absolute Scope 3 emissions	2	5
	2.6 Reduction in intensity life cycle (Scopes 1, 2 and 3 emissions)	1	4
	<b>Transition Investments</b>		
	3.1 Decarbonising percentage (of total annual investments)	3%	-
	3.2 Green percentage (of total annual investments)	21%	-
	3.3 Total green and decarbonising percentage (of total annual investments)	2	5
	3.4 Green-to-decarbonising investments ratio	5	5
	<b>Transition Revenue</b>		
	3.5 Green and decarbonising annual revenue growth (%)	1	5
	3.6 Green and decarbonising annual revenue (percentage of total revenue)	1	5

Source: Sustainable Fitch, BP annual report 2022, BP sustainability report 2022, BP ESG datasheet 2022

## Performance Indicators

### Emissions Ambition

BP has set both long-term (2050) and medium-term (2030) targets to reduce its Scopes 1, 2 and 3 emissions as well as its life-cycle emissions intensity.

The company aims to achieve net-zero absolute Scopes 1 and 2 operational emissions by 2050 and a 50% reduction by 2030 against a 2019 baseline. This target demonstrates ambition, and covers BP's entire operations and all important GHGs. Sustainable Fitch assigned the highest score for indicator 1.1.

BP has set a target of net-zero emissions for Scope 3 across carbon in its upstream O&G production by 2050, while the targeted reduction for 2030 is 25% against the 2019 baseline. This was lowered in 2022 from the original 35% to 40% Scope 3 reduction target, while both the 2050 and 2030 targets only capture the upstream activities of oil and natural gas. We find the perimeter of the target to capture a significant proportion of the BP's emissions but not a full perimeter, explaining a lower score for indicator 1.2 and 1.5.

BP has a target for net zero across the average life-cycle carbon intensity of sold energy products by 2050, while the relative reduction target for 2030 in this area is between 15% and 20% against a 2019 baseline. Targets include BP's entire operations from the use, production and distribution of sold energy products per unit of energy (MJ) delivered.

### Emissions Reduction

BP reports the evolution of its emissions targets. Scopes 1 and 2 emissions data have been available since 2018, and Scope 3 emissions and intensity data since 2019. Its absolute Scopes 1 and 2 emissions were 31.9 million tCO2e in 2022, 41% lower than in 2018 (long-term) and in 2019 (short-term), which is a good achievement. Its Scope 3 emissions of 306.7 million tCO2 in 2022 were only 15% lower than in 2019. The small decrease is negatively captured in the scores for indicators 2.2 and 2.5. The low score in indicators 2.2 and 2.5 also reflects that the reported emissions consider upstream activities only. The life-cycle intensity of 77gCO2e/MJ in 2022 was 3% lower than in 2019. The company's reporting only goes back to 2019, with the exception of Scopes 1 and 2 reporting, where 2018 data are available, so the short-term and long-term reduction overlap.

### Financial Actions

BP aims to invest between USD55 billion and USD65 billion to lower emissions by 2030. In 2022, the investment totalled USD4.9 billion, and was allocated to BP's five transition growth engines: electric vehicle infrastructure, bioenergy, hydrogen, renewables and convenience. BP has confirmed that 80% of that spend excludes convenience retail, while USD3 billion was used for the acquisition of Archaea Energy, a US biomethane producer. Based on the above, and following engagement with the company, we have been able to estimate indicators 3.1 to 3.4. We consider investments in electric vehicle infrastructure, renewables and biofuels to be green. For biofuels specifically, we recognise the potential issues related to the source of the feedstock and the use of

food and feed crops; however, Archaea produces biomethane through organic material from landfills. We do not consider convenience retail stores as a transition activity.

## Adjustments

Potential Adjustment	Commentary
1 Positive adjustment if there is no new exploration/drilling of oil and gas assets OR commitment to reduce hydrocarbon production by at least 20% in a decade (or annual reduction equivalent)	Adjustment has been applied. BP has progressed its plans for development of the Murlach oil field and the Seagull project in the UK North Sea using existing infrastructure, which will require new O&G drilling, but the company intends to decrease its hydrocarbon production by 25% between 2019 and 2030.
2 Negative adjustment if emissions reductions achieved involve offsets for more than 5% of the total delivery	Adjustment was not applied as there were no emissions offsets in 2022, as confirmed by the company.
3 Negative adjustment if (current) intensity emissions materially higher than industry average (+30%)	This metric includes GHG intensity from exploration, production and LNG; operated LNG production facilities from well to ship export are also included, hence the metric captures some midstream operations too. However, the company confirms the figure stated is a close representation of the upstream intensity. Performance in this area is neither 30% higher nor 30% lower than the OGCI upstream intensity of 18.9kgCO2e/boe in 2021, so no adjustments here or in the next line.
4 Positive adjustment if (current) emissions intensity is materially lower than industry average (-30%)	See above.
5 Negative adjustment if chosen emissions accounting methodologies do not capture material categories (related to GHG Protocol for Scope 3)	BP reports Scope 3 emissions for sold products, which is material, so adjustment was not applied.
6 Positive adjustment if executive remuneration is linked to quantifiable emissions-related targets (>=20% of total variable pay)	Emissions reduction targets contribute to 15% of the annual bonus, but only represented 4% of the total variable executive remuneration, so we did not apply an adjustment.

Source: Sustainable Fitch, BP annual report 2022, BP sustainability report 2022

## Safeguards

The safeguards considered for the 'Light Brown' category include a net-zero absolute Scopes 1 and 2 target by 2050, a 2050 aim to reduce absolute Scope 3 emissions or life-cycle intensity (Scopes 1,

2 and 3), a 2030 aim to reduce absolute Scope 3 emissions or life-cycle intensity (Scopes 1, 2 and 3) and investment in green or decarbonising activities (capex, opex or both).

The safeguards considered for the 'Olive' category include a 2050 aim for net zero across all Scopes with a credible ambition covering relevant materiality boundaries, progress on emissions reduction across all scopes in the short and long-term, and progress on transition with at least some revenue from transition activities or products. This is in addition to the safeguards for the 'Light Brown' colour band. BP meets all safeguards required for 'Olive'.

## Summary

Overall, BP showcases a commitment to the energy transition, having set both medium- and long-term targets covering its Scopes 1, 2 and 3 absolute emissions as well as its emissions intensity. However, a stronger emissions reduction delivery record, specifically for Scope 3 emissions, would highlight further progress in the Emissions Reduction assessment stage. A more comprehensive disclosure of revenue generated from transition activities, especially on a project-by-project or project category basis, would enable the company to be accurately benchmarked in the Financial Actions assessment stage.

**Status: Solicited**

The Assessment was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

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