

Should oil and gas companies be viewed only as part of the problem, or might they be crucial in solving it?

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RETHINKING BUSINESS MODELS IN A DECARBONIZING WORLD

1 Not all transition plans are created equal

Better long-term plans allocate capital to new energy source projects where the company has a competitive advantage.

2 Opportunity is *not* priced in

We see the chance for incumbents to advance carbon emission goals by leveraging existing capabilities.



OFFSHORE WIND

Plays to the expertise of offshore oilfield service providers.



ADVANCED BIOFUELS

Plays to the expertise of oil majors and oil servicers.



DEEP SEA MINING

Plays to the expertise of offshore-focused oil servicers.



GEOHERMAL

Plays to the expertise of oil & gas majors and oil servicers.



BLUE HYDROGEN & CARBON CAPTURE

Plays to the expertise of engineering & construction focused oil servicers.

3 Engage, don't divest

Engaging management provides investors a voice to ensure capital allocation efficiency. Starving today's carbon-intensive businesses of capital will only make the monumental task of energy transition more difficult.

Oil and gas companies can continue to thrive as the world moves to decarbonization and the expansion of renewables. In fact, they are critical for key capital-intensive clean energy technologies to reach maturity.

Don't let energy transition fool you.

It's a mammoth undertaking spanning decades.

There will be material demand for oil and gas for many years to come.

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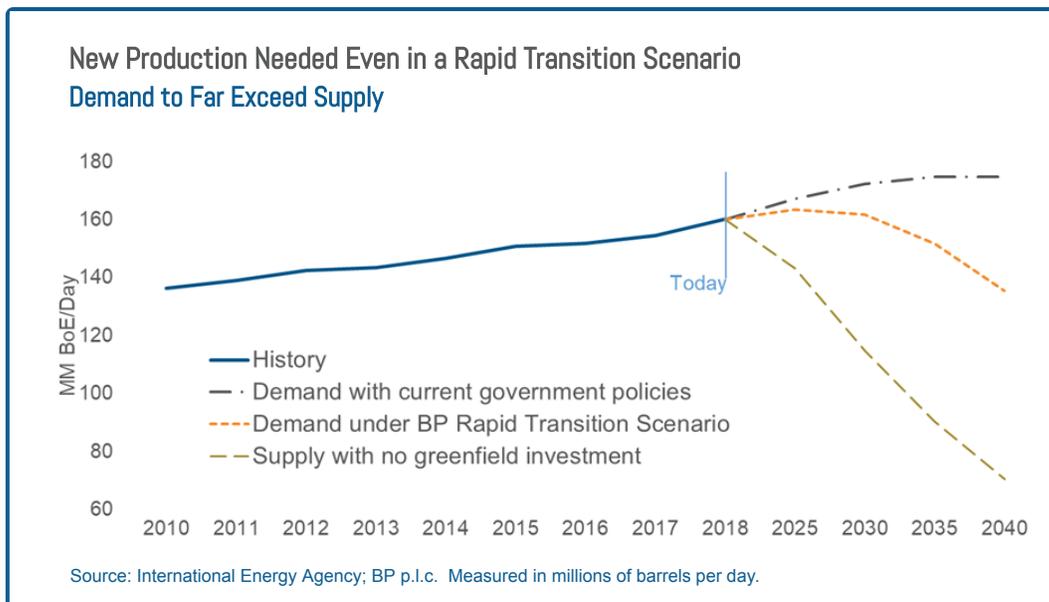
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Material new investment is required to meet future oil and gas demand.

A transition to lower carbon energy is starting, but the demand for oil & gas will likely not peak for at least another 10 years. With no new investment, the natural rate of production declines by 5%–8% per year.



The gravity of the supply shortfall is illustrated at left.

The **grey line** reflects current and estimated future demand levels under today's policies. The **orange line** illustrates BP's rapid transition scenario (to limit the rise in global temperatures to materially below 2°C by 2040), which is among the most aggressive.

Without additional production, **supply is unlikely to meet demand under all scenarios** as shown by the dashed **gold line** above.

Even after the recent stock price recovery, valuations still do not reflect the extent of the rebound in activity needed to meet ongoing energy demand over the next few decades.

FURTHER INFORMATION

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