BP Chief Bob Dudley Sees Bright Future for the Rapidly Evolving Energy Sector

Bob Dudley
Group Chief Executive
BP plc

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Excerpts from Mr. Dudley's Remarks

What's the effect of the drop in oil prices? Between June of 2014 and January of this year, the price of oil dropped by more than 75 percent. And the global benchmark price has stayed below $55 a barrel since last July. That low price has rocked national economies, bankrupted dozens of companies, and caused hundreds of thousands of people to lose their jobs – probably, indirectly, millions. Adding to the uncertainty, some of the world's biggest oil and gas producers are going through their own periods of transition and change.

How has BP responded to the price drop? At BP, we recognized early on, in 2014, that this was going to be no ordinary price downturn. It was going to be longer and deeper than usual. So we had to rapidly cut our capital expenditure, operating costs, and headcounts. These were painful adjustments, especially the workforce reductions, but they were necessary to keep our business competitive at a much lower oil price.

What's your outlook for the price of oil? Roughly two years after prices began to decline, I am happy to report, I'm pretty sure, the global supply and demand recently have moved towards a better balance, and we expect this trend to continue into the second half of 2016, and probably reaching a balance through the end of the year on a daily basis, because there's a lot of stocks left. We are not expecting the days of $100 oil to return, so we must maintain our discipline, continue to improve productivity, or we won't survive.

What about carbon emissions? Beyond the oil price, companies like ours also face the challenge of transitioning to a lower carbon world, which governments around the world agreed to last year in Paris. The challenge for all of us is to balance two competing obligations. We must curb greenhouse gas emissions to protect our environment, while we also need to provide safe, reliable, and affordable energy that fuels economic growth in the developed world and lifts hundreds of millions of people out of poverty in the developing world.

What about the Paris agreement on climate issues? BP welcomed the Paris agreement. And for years now we've been determined to be part of the climate solution. Nearly two decades ago we publicly recognized the threat of greenhouse gas emissions and pledged to help address it. In fact, we were widely seen as the first major international oil company to do so. In the years since, we've funded independent research, piloted new technologies, and built low-carbon businesses, ranging from large windfarms in the U.S. to large biofuels operations in Brazil.

What about renewables? We currently have the largest operated renewables business of any major oil and gas company. Yet, we also recognize that while renewables are the fastest growing form of energy and have great promise, they are not yet ready to assume the burden of powering the world, which is expected to need a third more energy by 2035. In fact, our latest energy outlook projects that, under what we believe is the most likely scenario, non-hydro renewables will account for just about 9 percent of global energy consumption in 2035.

What about carbon pricing? The most important element of the global energy transition, I believe, will be the introduction of a price on carbon. After investing $8 billion in low-carbon energies over the past decade, we've learned the hard way that carbon pricing is crucial to helping renewables compete on a global scale. But it must be done in a way that doesn't favor particular ways to reduce emissions, doesn't discourage the development of still-yet-unknown technologies, and doesn't disadvantage the United States in global competition. We should let the market drive the best solutions.

How has Deepwater Horizon affected BP? We've committed to being a safer company. We've adopted tougher standards, enhanced training, better oversight, and new technology, while reinforcing that everyone at BP has the power, and the responsibility, to stop a job if something doesn't seem right. Our response to the Deepwater Horizon certainly was not perfect. We deeply regret our role in the accident. But we are proud of the progress we've made since then, and we are committed to becoming even safer in the future.

How much did Deepwater Horizon ultimately cost BP? So we are up to the $56 billion mark in terms of cash out and commitments made with schedules of fines over some years ahead. And we've still got, I think, a tail of some litigation. But to be able to do that, of course, we're a much smaller company. We had to sell – we've sold, really, $75 billion of our assets to meet our obligations and respond to it.

Where does BP stand regarding the United States? Throughout all of this, BP's commitment to America has never wavered....We remain the Nation's largest energy investor, with more than $90 billion invested over the past 10 years....Our investments support nearly 190,000 U.S. jobs, and they contributed $135 billion in the U.S. economy alone in 2014. So despite our challenges here, BP continues to make these investments because of America's unique combination of abundant natural resources, highly skilled workers, and a culture of innovation.

DAVID M. RUBENSTEIN: Thank you all for coming today. Welcome to our members and guests of The Economic Club of Washington. I'm David Rubenstein, president of the Club. Welcome to all of you to this luncheon in the Atrium Hall of the Ronald Reagan Building and International Trade Center in Washington, D.C.

Our special guest today is Bob Dudley, who is the group chief executive of BP. That is the largest company in England and is, by revenue, the fifth-biggest company in the world, with revenue of about $223 billion. It's unlikely that an American would be the head of the biggest company in Britain, but Bob Dudley is an American by birth. He was born in Queens, grew up in Hattiesburg, Mississippi. Then went to Hinsdale, Illinois, did his undergraduate work at the University of Illinois. Bachelor's in chemical engineering. Then he got a master's from the Thunderbird School of Global Management at Arizona State University, and then an MBA[1] from Southern Methodist University.

And after that, he joined Amoco and worked there for a number of years and ultimately went to Russia to do work for Amoco, and then came back to Amoco's headquarters and there

[1] MBA is Master of Business Administration.

was in charge of strategy when Amoco was sold to BP. And then he became the head of strategy for BP. And because of his expertise in Russia, he was sent back eventually to Russia to run a joint venture that BP had in Russia, called BP-TNK. And did that for a number of years. And then came back. And then was in charge of the Americas in Asia for BP in the United States. And then he was asked, after the Deepwater Horizon spill, to oversee the company that was formed to oversee the payment of penalties and fines and the cleanup in that part of the country. Ultimately, in October of 2010, he was asked to be the group chief executive, the position he now holds.

BP is a company with about $223 billion in revenue, market capitalization of about $180 billion, and about 75,000 employees. And we're very pleased that Bob could be here today. He's joined by his wife, Mary, who's right here, and his son Chase. So it's – [applause] – my pleasure to introduce Bob Dudley, the group chief executive of BP. [Applause.]

BOB DUDLEY: Well, thank you very much, David. It's a great honor to be here. I appreciate this warm welcome, and extremely thorough introduction. I understand that the best speech ever delivered in this forum was one by the former CEO[2] of Boeing, Jim McNerney. He stood up, and he announced a $20 million donation to the Kennedy Center, and then promptly sat back down. [Laughter.] That was pretty good. So with oil at $50 a barrel, my speech will be a little bit different. [Laughter.] But I'll follow Jim's lead in trying to keep it as brief as possible so that we have plenty of time for the famous David Rubenstein interrogation – I mean, interview.

It is great to be back here in Washington where for today, at least, things seem relatively quiet compared with the political scene over in London. Sometime after midnight tonight we will know, or should know, whether the United Kingdom has voted to remain part of the European Union (EU). And it is an in or out vote. Now, however that referendum turns out, the fact that it's even happening reflects the extraordinary changes, political, social, and economic, taking place all around the world. And we've certainly felt these changes in our industry.

Between June of 2014 and January of this year, the price of oil dropped by more than 75 percent. And the global benchmark price has stayed below $55 a barrel since last July. That low price has rocked national economies, bankrupted dozens of companies, and caused hundreds of thousands of people to lose their jobs – probably, indirectly, millions. Adding to the uncertainty, some of the world's biggest oil and gas producers are going through their own periods of transition and change.

His Excellency is here. Mexico is opening up its energy sector to private investment for the first time in nearly 80 years, previously prevented by the constitution. Iran recently rejoined global markets. And Saudi Arabia is talking about privatizing at least part of its national oil company. Meanwhile, Russia continues to face economic sanctions, Venezuela is falling deeper into crisis, and the Middle East is confronting terrorism and civil war. In years past, such instability certainly would have caused oil prices to skyrocket.

But that hasn't happened this time, largely because of the shale revolution here in the United States, that's dramatically increased global oil supplies and inventories and has forced all

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[2] CEO is chief executive officer.

energy companies to quickly adapt or perish. At BP, we recognized early on, in 2014, that this was going to be no ordinary price downturn. It was going to be longer and deeper than usual. So we had to rapidly cut our capital expenditure, operating costs, and headcounts. These were painful adjustments, especially the workforce reductions, but they were necessary to keep our business competitive at a much lower oil price.

So roughly two years after prices began to decline, I am happy to report, I'm pretty sure, the global supply and demand recently have moved towards a better balance, and we expect this trend to continue into the second half of 2016, and probably reaching a balance through the end of the year on a daily basis, because there's a lot of stocks left. We are not expecting the days of $100 oil to return, so we must maintain our discipline, continue to improve productivity, or we won't survive.

Beyond the oil price, companies like ours also face the challenge of transitioning to a lower carbon world, which governments around the world agreed to last year in Paris. The challenge for all of us is to balance two competing obligations. We must curb greenhouse gas emissions to protect our environment, while we also need to provide safe, reliable and affordable energy that fuels economic growth in the developed world and lifts hundreds of millions of people out of poverty in the developing world.

BP welcomed the Paris agreement. And for years now we've been determined to be part of the climate solution. Nearly two decades ago we publicly recognized the threat of greenhouse gas emissions and pledged to help address it. In fact, we were widely seen as the first major international oil company to do so. In the years since we've funded independent research, piloted new technologies, and built low-carbon businesses, ranging from large windfarms in the U.S. to large biofuels operations in Brazil.

In fact, I think little known, we currently have the largest operated renewables business of any major oil and gas company. Yet, we also recognize that while renewables are the fastest growing form of energy and have great promise, they are not yet ready to assume the burden of powering the world, which is expected to need a third more energy by 2035. In fact, our latest energy outlook projects that under what we believe is the most likely scenario, non-hydro renewables will account for just about 9 percent of global energy consumption in 2035.

In other words, it's simply not feasible to rapidly abandon fossil fuels. I know some people would like to see that. You can't flip a switch to a world powered by renewables. It's going to take time and it must be done smartly. Even under its most ambitious lower carbon scenario, the widely respected IEA, International Energy Agency, still sees oil and gas making up 45 percent of the energy mix in 2040. And that's under its most ambitious lower carbon scenario.

For these reasons, BP supports a stable, orderly transition to a low carbon future. The key elements of this transition will include not only an expansion of renewables, but also improved energy efficiency, which we can all do, enhanced carbon mitigation technologies, and increased production of natural gas, which can help reduce emissions in the power sector while providing the essential backup fuel for renewables.

In fact, over the last decade, as gas production has boomed in the United States, displacing coal in power generation, carbon emissions – probably most people don't know – have significantly declined here in the U.S. But again, controversially in some cases – but the most important element of the global energy transition, I believe, will be the introduction of a price on carbon.

After investing $8 billion in low-carbon energies over the past decade, we've learned the hard way that carbon pricing is crucial to helping renewables compete on a global scale. But it must be done in way that doesn't favor particular ways to reduce emissions, doesn't discourage the development of still-yet-unknown technologies, and doesn't disadvantage the United States in global competition. We should let the market drive the best solutions.

We believe that's the framework necessary for a successful energy transition, but it's a framework that only governments can set. And within that framework, we're confident that we can help reduce emissions, while still delivering energy to the world, and value to our shareholders, which we must do.

So while the entire world is grappling with the oil price downturn and the climate challenge, BP, as you know, has faced our own unique set of challenges here in the U.S. related to the tragic 2010 Deepwater Horizon accident in the Gulf of Mexico. The accident rocked our company to its core. And we were determined to do the right thing. Even before the accident was investigated or blame was adjudicated, BP immediately committed to help the Gulf region recover. And we've spent the past six years and tens of billions of dollars doing just that.

We've also committed to being a safer company. And since then, we've adopted tougher standards, enhanced training, better oversight, and new technology, while reinforcing that everyone at BP has the power, and the responsibility, to stop a job if something doesn't seem right. Our response to the Deepwater Horizon certainly was not perfect. We deeply regret our role in the accident. But we are proud of the progress we've made since then, and we are committed to becoming even safer in the future.

I'm almost finished, David. So that throughout all of this, BP's commitment to America has never wavered. You may not know this. We remain the Nation's largest energy investor, with more than $90 billion invested over the past 10 years. And I know billions don't resonate like they used to – [laughter] – but our investments support nearly 190,000 U.S. jobs, and they contributed $135 billion in the U.S. economy alone in 2014. So despite our challenges here, BP continues to make these investments because of America's unique combination of abundant natural resources, highly skilled workers, and a culture of innovation.

However, we've also noticed some disturbing trends lately, and we're not the only ones. All around the world I meet the CEOs, other countries' government officials, and others who raise concerns about the growing risks of doing business in America. There are three concerns in particular that seem to come up more often. First, the U.S. has an increasingly tangled web of government regulations, many of which seem redundant and needlessly burdensome.

Second, it seems increasingly litigious, and the court system allows for, I think, costly abuses. Unfortunately, at BP we know the problem the most. And third, the U.S. political system is demonstrating an increasing inability to come together and get things done, and that's making it harder for policymakers to think long term and plan for the future, both of which are essential for solving these problems we face.

I say all of this as an energy executive, but also as a concerned American who hopes that our next President, whoever that is, will work with Congress to pursue sensible reforms and focus on long-term solutions. I know that David will likely expand on some of these topics, along with many others, during our talk, but I wanted to at least frame the discussion, David, by explaining what we do and the challenges we face. With that, let me turn it over to you. [Applause.]

CONVERSATION WITH DAVID RUBENSTEIN

MR. RUBENSTEIN: So, for those people that don't want to wait up until tonight – [laughter] – you know, you live in London and you must have a lot of intelligence about what's going on. So tell us a little secret, what's going to happen in the vote? [Laughter.]

MR. DUDLEY: [Laughs.] Well, I never follow the polls really in the U.K.[3], because they sort of had it wrong about Scotland in the last election. So I follow the bookies, actually. [Laughter.] And the bookies, as of yesterday, said more than 70 percent would say that the election outcome would be to remain. We'll know about 1:00 or 2:00 in the morning, I think, here.

MR. RUBENSTEIN: All right. And you've been a strong advocate for Britain staying in the EU, is that correct?

MR. DUDLEY: I have been.

MR. RUBENSTEIN: And your view is if Britain were to pull out, it would be damaging to the British economy – is that right?

MR. DUDLEY: I think you'll see all kinds of dislocations. I think there will be job losses out of London. I think the pound would move around unpredictably. But for the most part, I think Europe needs a great deal of reform, and Britain can help drive that reform. And it's better to be in it and drive the reform than to be out.

MR. RUBENSTEIN: OK. Well, of course, the United States pulled out of Britain in 1776. It worked out OK for us. [Laughter, applause.] But your view is it's just not the same, right? [Laughter.]

MR. DUDLEY: I'm doing the math in my head. Maybe in 2050, it'd be great –

MR. RUBENSTEIN: OK, all right. OK. [Laughter.]

[3] U.K. is United Kingdom.

MR. DUDLEY: 2150, sorry. [Laughs.]

MR. RUBENSTEIN: So in October of 2010, the board of directors of BP said: We'd like you to be the group chief executive. No American had ever been the head of it. And you were in the middle of the Deepwater Horizon problem. Why would you want to be the head of BP in that situation? Did you consider not taking the job?

MR. DUDLEY: I never talk about this. [Laughter.] Well, when asked about it I said, well, actually, I think I can help more here in the U.S. And you've got good people in London. So I think the thing should be for me to keep working on this terrible problem. And they said, that's not the question we're asking you. [Laughter.]

MR. RUBENSTEIN: So you took the job.

MR. DUDLEY: So I took it. It's a service in oil and gas. It's a family. It's companies. It's a little bit like military, I think. You have a dedication to what you do. And everybody's worked with the company for such a long time, so.

MR. RUBENSTEIN: OK. So you took the job. No regrets, I assume?

MR. DUDLEY: I haven't had time to even think about it. We've been really busy. [Laughter.]

MR. RUBENSTEIN: OK. All right. So the Deepwater Horizon problem, accident, 11 people, I think, were killed. And how much in the end, when you take the settlements, the fines, litigation, and everything, how much did BP actually have to pay out in cash so far?

MR. DUDLEY: So we are up to the $56 billion mark in terms of cash out and commitments made with schedules of fines over some years ahead. And we've still got, I think, a tail of some litigation. But to be able to do that, of course, we're a much smaller company. We had to sell – we've sold, really, $75 billion of our assets to meet our obligations and respond to it.

MR. RUBENSTEIN: So today, you indicated in your remarks that you think that it's safer to do things offshore now, offshore drilling. So you have no doubt that offshore drilling can be done safely. Is that correct?

MR. DUDLEY: I have no doubt about that. All around the world right now there's offshore drilling going on. BP really was one of the pioneers in the North Sea back in the 1960s. I mean, this was an extraordinary and very, very low probability event that happened. But as always, whether it's aircraft or manufacturing industries of any kind, after an event like this everybody retools yet again and makes it even safer.

MR. RUBENSTEIN: So do you think now the public relations damage that was done to BP is largely behind you, or are you still dealing with some of the after effects of that?

MR. DUDLEY: Well, I don't know what the polls and numbers say about image. Certainly here in the United States it's taken a long time. I hope people recognize the effort the company made not to walk away from the obligations and keep going and keep investing, and keep meeting our obligations. The interesting thing internationally, is because governments around the world saw the response, many countries have said to us, including Mexico in fact, we'd actually want a company like yours to come and work in our sector because we know you'll meet your obligations on this issue. It'll take another – I say inside of BP – it'll take a decade in the United States for our image to be restored.

MR. RUBENSTEIN: So what was more difficult for you as a group chief executive? You took over in October of 2010. Was it the decline in oil prices, which as you pointed out was fairly dramatic and almost historic for a sustained period of time, or was it dealing with the aftereffects of Deepwater Horizon? Which was a bigger challenge for you?

MR. DUDLEY: Well, by far the aftermaths of the accident. We did have to sell huge amounts of the company to meet the obligations. We had to retool and reorganize our business organizational structure, decision-making processes. But oil is a commodity and it goes up and down. This is about the fourth commodity cycle I've been through. So we knew how to do that. But I think that was something unique and remarkable about the events –

MR. RUBENSTEIN: OK. Do you have any insights on when oil prices might be heading back up to some higher level?

MR. DUDLEY: [Laughs.] This is where I always get in trouble. Just looking at the supply and demand balances, which because of the huge oversupply with the price down low, some people estimate now between a trillion and some people are as much as $2 trillion of investments and plans have either been cancelled or deferred. At some point down the road, this always catches up with the world. But I think third, fourth quarter, demand is rising for petroleum products in China, North America, and Europe.

They're going to come into balance. And at that point I use the phrase, you know, almost every swimming pool in the world is filled up with oil, all the tanks, but there's going to be some plugs start coming out. But I think it'll take a while. I think we'll see $50 by the end of the year and $50 to $60 next year.

MR. RUBENSTEIN: OK. As so somebody who grew up in Hattiesburg, Mississippi, how come you haven't had a southern accent? [Laughter.] What happened? [Laughter.]

MR. DUDLEY: Well, David, I can talk just like this if you want it. [Laughter.] I was always fixing to do things. [Laughter.]

MR. RUBENSTEIN: OK. When you're in London, do you have a British accent?

MR. DUDLEY: I don't think so. No one would say that in London. [Laughter.]

MR. RUBENSTEIN: So when you went to college, you were a chemical engineer, and went to business school. Did you expect to join the energy industry at that time? Was that what you wanted to do?

MR. DUDLEY: Well, I came out as an engineer, which I enjoyed. And I looked around and I said, how can I see the world? So, since a kid I always wanted to see the world and travel and experience it. And came to a conclusion, I think when I was in grad school, that the oil and gas industry was the best way to do that.

MR. RUBENSTEIN: OK. So no regrets?

MR. DUDLEY: No regrets. There's been a moment or two, I suppose. But no regrets. I love what I do. I love the industry.

MR. RUBENSTEIN: Well, let's talk about one of those moments. [Laughter.]

MR. DUDLEY: Well, I just – [Laughs].

MR. RUBENSTEIN: BP did a famous joint venture in Russia. BP-TNK, three prominent Soviet Russian businessmen. And you were made the CEO of that. And that was very profitable. But then your security was endangered, and there were lots of people who were threatening your life. What was that like? And what was the big controversy?

MR. DUDLEY: Well, my wife and son were living there in Moscow with us, and they were right in the middle of it. Well, like sometimes happens, it's a good device never to do it in business. So this was a giant company, had over 100,000 employees, produced 2 million barrels a day. It was a 50/50 joint venture. And they put this guy from Mississippi as the CEO, with all the powers of attorneys to buy and – close the bank accounts, redo the payroll, and buy and sell the shares. And so what happened was, there was a dispute between the owners and BP, not really with me. But I had all the powers of attorneys. So I became the lightning rod in this dispute.

MR. RUBENSTEIN: So ultimately the Russian government bought – or a Russian government entity, Rosneft, – bought the entire company, is that right?

MR. DUDLEY: Years later – five or six years later. So we sort of finished that colorful episode and kind of put it back together and it was operating. But in 2012, 2013, actually BP approached the Russian government and said: Would you like to buy our half of this? We had our obligations in the Gulf to meet. And then we made an agreement. And then after that, our partners, the other 50 percent Russian owners, also made the agreement, and sold the company to Rosneft, which is the Russian national oil company. It's the largest oil producer company in the world with shares, 5 million barrels a day. And in addition to taking some funding out, we put back into the country and own 20 percent of that company.

MR. RUBENSTEIN: But you sold at the top of the market. So that was very good timing, wouldn't you say?

MR. DUDLEY: It's great strategy. [Laughter.]

MR. RUBENSTEIN: So there aren't that many American businessmen who really have spent that much time with Vladimir Putin. Because you lived there for such a long time and you were such an important part of their economy when you were running that joint venture, you know him. So can you give us any insights into what makes him tick and, you know, what kind of person is he, can you look into his soul and see his soul or anything, or? [Laughter.] No?

MR. DUDLEY: [Laughs.] Gosh, you're a good interviewer. [Laughter.] David, I have dealt with him, more since we own 20 percent of the Russian national oil company. I read the press in the West about Russia and him personally, and I read the press in Russia. And they're both way off. The answer is somewhere in the middle. And I think he has a very, very difficult job of balancing all kinds of forces in Russia, some of which are very extreme and some who want to liberalize faster. And my sense is, in having worked there, the Russians like a very powerful leader. And if you don't have a powerful leader, things become very unpredictable. So I think he is popular in the country. He's able to balance this. And I've always found him to be fair in the dealings with me and BP.

MR. RUBENSTEIN: OK. So as the chairman – the group chief executive of BP, when you are, let's say, driving around on weekends, do you go to BP service stations? [Laughter.] You do? And do you –

MR. DUDLEY: Don't you? [Laughter.]

MR. RUBENSTEIN: Well, I try to, but I have questions that I always have. Let me ask you some of those questions. So, by the way, when you go to a BP service station, do they recognize you? [Laughter.] Nobody recognizes you?

MR. DUDLEY: Sometimes in the U.K., but generally not, no. I'm not very famous.

MR. RUBENSTEIN: So if I were to stop at a BP or stop at Exxon or a Mobil, is there really any difference between the fuel that I'm going to get at any of them? They're all the same, aren't they? [Laughter.]

MR. DUDLEY: No! [Laughter.] It's not just the branding. No, I grew up and worked in an oil company for probably 25 years and thought that it was all just brand magic. Now, I realize, as I spend more time with what goes into those fuels, not just octane changes, which are different in terms of power, but we've just introduced another fuel that we certified with European authorities that this is right, that the additives we put in do clean the engine and pull all the carbon and soot over time out of the fuel injectors, which in the U.K. we calculate we get 21 more miles per take by doing that. So there are some differences.

MR. RUBENSTEIN: And it's worth paying for the higher price spread? You know, I mean, you can get low cost and higher cost. Is the higher cost really worth that extra money?

MR. DUDLEY: Depends on how fast you want to go, I think. [Laughter.] No, I think the high octane fuels, some engines don't need them and aren't made for them. So for some, absolutely not. But there are some that really do benefit from it.

MR. RUBENSTEIN: OK. And in most service stations, I assume yours as well, they sell a lot of food and other things. Is the food higher margin than the gasoline, or is that – [laughter] – it seems like it at times, but the –

MR. DUDLEY: Well, there's higher margin on a gallon of Coke than there is gasoline. But there is a high margin on fuel. People want convenience. So people don't want to just fill up the car. They want to do other things. And so we partner with some very high-end food manufacturers in the U.K., Marks & Spencer, M&S. And they do create quite a bit of volume.

MR. RUBENSTEIN: OK. So one of the most important things that you've done in the United States has been at Prudhoe Bay in Alaska. And your company was responsible for the pipeline and so forth. But it seems to be declining in terms of the barrels of oil you can get. So what are you planning to do, if anything, to replace those barrels of oil you're getting out of Alaska? Can you do more drilling, or is it prohibited by the United States government to do much more?

MR. DUDLEY: It's an interesting point, because when Prudhoe Bay was found – and it may have been the second largest field in the world – no one thought it would be producing today. So everyone thought its life had gone over. It is a very mature, large field. So it naturally will decline. That's just the physics and the gravity of it. But we are putting lots of technology to sweep more out of it. But it will continue to decline.

I think for Alaska, longer-term here, the future of Alaska is probably its natural gas. So while the oil will continue – and we need to keep the oil production up enough to be able to keep that pipeline flowing, because it's cold up there. You have to have a certain volume of warm oil just to keep it going. So that's probably the bigger challenge for the nearer term. But natural gas has got a great future.

MR. RUBENSTEIN: OK. Most of the large, multibillion-dollar projects that were in, let's say, the Arctic or other areas offshore that you and Chevron and Shell were looking at, have been shelved. What's the impact of that 10 years down the road, because that oil won't be online then?

MR. DUDLEY: I think that's all part of this trillion-dollar deferral of projects that are not economic at these oil prices. And so they will be put off in time. It remains to be seen whether they'll be developed. But certainly in the Arctic, there are projects today going on in Norway, and Russia is looking at Arctic projects. So it does come down to the fundamental economics of the price.

MR. RUBENSTEIN: So when you drill for oil today, with all the seismic technology, do you ever drill dry holes, you know, your geologists say it's going to be here and it's not there, or does that not happen that much anymore?

MR. DUDLEY: No, it happens. [Laughter.] It does happen. Geologists are wonderful people who visualize what the Earth looked like 50 to 100 million years ago, with river channels and things. And they take the seismic and they see things. And there is an art to cracking the code in certain geologies around the world – whether it's offshore Angola, the Gulf of Mexico or the North Sea. So once they get that, the probability of the dry holes goes down lower. But in new basins, it still happens.

MR. RUBENSTEIN: So oil companies are judged by many things. But one of them is the reserves that they have, so – because you have to keep replenishing reserves. So what are your reserves? How many kind of barrels of oil do you have?

MR. DUDLEY: Our reserves are around 17 billion barrels, and resources are about 45 billion. But oil fields are not like factories where you put them on and then they just produce. They decline over time. So each year there's a 3 to 5 percent decline rate. So it's like running on treadmill just to keep it even. But we've got about 40 projects that look economic between now and the early 2020s that we can see.

MR. RUBENSTEIN: And your projects are assuming that oil is going to be at $50 a barrel, $60, $70, when you authorized these to go ahead?

MR. DUDLEY: Now we do a range. And so there's a fair number of projects we deferred. We need to balance the sources and the uses of BP between $50 and $55 next year, which will take us that long to do that.

MR. RUBENSTEIN: So there are many different types of companies that are uniformly disliked by large percentage of the population. Oil companies might be up there, with Members of Congress and other things sometimes.

MR. DUDLEY: Thanks.

MR. RUBENSTEIN: So why do you think the oil industry is – you know, people love energy. People love what your product is. But why don't they like oil companies, they just like the product? Why is that?

MR. DUDLEY: Well, one, David, I would say there's a regional nature to that, because it's particularly acute, I think, in the United States. That isn't actually how it feels in many parts of the world. Azerbaijan is a great example, where people don't have that feel. I think it goes back – oh, it's almost into the DNA[4] of the United States. It goes back to the 1911 breakup of the Standard Oil Trust. And I think it's just always been that way.

I mean, my first day at work, which was 1979, I went to go in the Amoco Building in Chicago, and I walked through a rally held by Jane Fonda that said: Stop Big Oil. And I thought, oh, this is going to be an interesting career. [Laughter.] They put a little lapel button on

[4] DNA, for deoxyribonucleic acid (nucleic acid), is a molecule that carries most of the genetic instructions used in the growth, development, functioning, and reproduction of all known living organisms and many viruses.

me, and I went up the elevator the first day, the elevator opened, and the first guy I saw my first day of work said, you should take that off here. [Laughter.]

But it's been part of America. But yet, I think it's one of the most misunderstood industries, because the great prosperity, in many ways, has been built on cheap, affordable energy in the United States for decades.

MR. RUBENSTEIN: So what's the principal challenge that you face as the head of a company like this? Is it finding more oil or dealing with the public relations issues? What do you see as your biggest challenge? And what is your biggest pleasure? What gives you the greatest pleasure out of this job, other than this interview? [Laughter.]

MR. DUDLEY: I think the challenges have to be getting ready for what will be redefining the industry over the next 30, 40, or 50 years. And we're a very long wavelength industry. I think some of the challenges and the greatest pleasures are the international aspect of what we do. The geopolitics of it is where I spend a lot of time. We don't do transactions. We have relationships. And that's critical. And we have a long term nature in it.

Some of the greatest satisfactions I've had is seeing an energy project in a part of the world where there's a lot of – I won't say poverty, but less jobs and people at work, and seeing an amazing transformation of some places we work. I do find that satisfying – really satisfying.

MR. RUBENSTEIN: OK. Now, for young people graduating from college or graduate school, would you recommend a career in large energy companies today?

MR. DUDLEY: I think that one of the myths about oil and gas is it's not tech, it has no tech and it's not high technology. It is one of the most amazingly high-tech areas. The visualizations done down deep, the work that we do on designing structures and projects is quite exciting for engineers in the high-tech side. It has an image problem. And I think we, as an industry, need to find a way to make that more attractive for people.

MR. RUBENSTEIN: And years ago BP said that BP actually didn't stand for British Petroleum. Instead, it stood for Beyond Petroleum. But in recent years, you haven't used that phrasing so much. Do you still think you stand for Beyond Petroleum, and how important is renewables really right now, as a percent of your earnings right now it's under 3 or 4 percent, I assume.

MR. DUDLEY: Well, I think it became known as Big Problems for a while. [Laughter.] So I think it probably needed to put it aside. And I think the company was one of the first ones to come out and talk about the changes that were coming, renewable energy and new energy forms. I think it was ahead of its time, because we invested $8 billion in the last 10 years, probably $15 billion if you go back to the late 1990s, but there weren't these structures for carbon to make them economic in the right way. In time, that may be some foresight. But we're not sure where things are going. So we may come back.

MR. RUBENSTEIN: Right. So have you ever thought, suppose – depending on whether you believe in God or evolution – [laughter] – there were no carbon the face of the Earth – there's no oil, there's no gas, no coal. And however it got here, do you think civilization would be further ahead or further behind where it is today?

MR. DUDLEY: Oh, that's a much easier question than I thought you were going to ask me. [Laughter.] I think that there's no question, the world went from burning wood, and then it shifted gradually to burning coal. And that had all kinds of problems. And over time it's moved to oil. And then it's moved, I think, primarily to cleaner burning natural gas, with nuclear and other things off on it. So it's been part of a great evolution of building enormous prosperity to the world. I mean, heat, light, and mobility – I don't know what it would look like if we were relying on wood and coal today.

MR. RUBENSTEIN: So you have to deal with government leaders all over the world in your job. So do you ever meet some government leaders and wonder how they got that job, or – [laughter] – never to you?

MR. DUDLEY: Never.

MR. RUBENSTEIN: When you meet with regulators in the United States and Congressmen, do you – I'm not going to ask you if you wonder how they got that job – [laughter] – but do you think that they really understand the problems of the energy industry, or are they just overregulating, as you kind of indicated in your remarks?

MR. DUDLEY: Well, I'll step back from regulators, and I'll just talk about people. Because I think one of the things that the industry doesn't do very well – I think there's an enormous amount of what I would just say is energy illiteracy. The importance in the role that energy plays day to day, what it goes in terms of connecting the world's economies, providing light, which a lot of people just think electric power comes from the switch on the wall. I think that is at all levels of society in every country. I don't know how we change that, but I think it's a very complex system that runs the world of energy.

MR. RUBENSTEIN: So many countries in the Gulf are trying to get off of carbon energy as their source of economic income. How realistic do you think it is that the GCC[5] countries can really get them off the dependence on oil and gas for revenue? Is that 25 years down the road, 50 years, or not really ever?

MR. DUDLEY: Well, I think it is one of the competitive advantages of those nations that they have oil. So I think turning their back on that is probably unlikely. However, they are overly dependent on it. So I think, rightly so, they are trying to reform and change their economy. Saudi Arabia's announced reforms that are quite extraordinary. They burn oil for electric power. So they do need to get off of some of it, even for what they do inside the countries themselves. But it's going to be a difficult transition. I think it will take a while. I think as long as the fuel is valuable, they'll still certainly sell it.

[5] GCC is Gulf Cooperation Council; a regional intergovernmental political and economic union consisting of the Arab states of the Persian Gulf; except for Iraq.

MR. RUBENSTEIN: So it was said at one point that one out of every six citizens in Britain was getting dividends from BP, and therefore keeping the dividends up was very important. Is that still very important, to make sure that you have the dividends at a certain level?

MR. DUDLEY: It is. We have, I think, a 7 percent yield on the dividend, or something that feels high. And people are worried about it. But if you can imagine in 2010, after the accident in the Gulf, and we have 40 percent of our shareholders in the United States, 40 percent in the U.K., and 20 percent are global. But one out of every six pounds, or one out of every six dollars of dividends was paid by BP in the country – to pension funds, individuals, people, ex-employees. And it was a deep impression on me in 2010 when we cut it to zero in response to the accident here.

I met people on the streets of London who said: When can I pay my electric bill again? I mean, this is – I don't think anybody in the United States can realize the impact it had on the –

MR. RUBENSTEIN: When you cut the dividend, did you have security with you when you were walking around – you didn't get security?

MR. DUDLEY: No. No.

MR. RUBENSTEIN: So when you live in London and you're running the biggest company in England, does the Queen call you up and say come have tea or something? [Laughter.] You ever had tea with the Queen? She doesn't call you up for tea or anything like that?

MR. DUDLEY: [Laughs.] No. [Laughter.] She's a really busy woman. But she is quite – I will say this – at over 90, she is a remarkable – I don't think her life is her own. She's a remarkable service to the country in Britain. I have a great admiration for that.

MR. RUBENSTEIN: So let's suppose you were to leave, someday, BP. You know, eventually you probably will leave at some point. And you have no career plan now to leave at a certain period of time, I assume, that you're not going to announce now. [Laughter.] But do you have any – you know, do you have any horizon or are you quite happy doing this for the foreseeable future?

MR. DUDLEY: Well, I serve at the pleasure of the board. Any CEO knows it can, like, end tomorrow. But we have a great team of people. We still got a lot to do. And I enjoy what I do. So –

MR. RUBENSTEIN: OK. So let's suppose you decide to leave and somebody came along and said: I'll give you a billion dollars to invest in energy. You know, you've been running a big energy company. You know where money can be made. So, here's a billion dollars. You invest it. You can get 20 percent of the profits – to pick a number out of a hat. So where would you put that money? [Laughter.]

MR. DUDLEY: I'd buy BP shares. [Laughter, applause.]

MR. RUBENSTEIN: All right.

MR. DUDLEY: But say I couldn't do that. So I think, one, you do it very carefully. I think a billion dollars in energy – you know, the populations are not growing in the United States or Europe. They are growing like that and the energy consumption in Asia, Southeast Asia, India, I mean, there's something there. And I would do this as a portfolio, very carefully. I would be careful about a big bet in renewables. I would be more spreading them out to see what kind of technology might work. And I think there is great investments here in the U.S. I think some of the oil plays which seem expensive today, but maybe –

MR. RUBENSTEIN: Well, and oil in the United States, some of it's being produced through fracking. Are you convinced that fracking is environmentally safe?

MR. DUDLEY: I am. I am very much so, because it was invented in 1947. Fracking has been part of the oil and gas industry globally, you know, half a century or more. It's only recently become so controversial. It's a terrible name for it. It's hydraulic fracturing, is a better way to say it. But, you know, it's gotten a bad name, particularly in the United States, because some operators have disposed of the water from the fracking not in the right way, and there's this concern about swarms of Earth tremors, which has almost always been shown to be people injecting the water at higher pressure than it needed to be, rather than fracking – fracturing itself.

And, you know, there's a great prosperity here that's come in the United States from the tight oils and the tight gas. None of which could happen at all without fracking. And it can be done safely.

MR. RUBENSTEIN: So as an American who's running a large British company, is it hard to kind of penetrate the British business establishment? I mean, it seems to be very clubby, people would think. And are you invited into all the clubs and so forth? And you're running the biggest company there. Is it hard?

MR. DUDLEY: Well, I've come over time. And you know, of the nine years working in Russia, I sort of think of myself as a citizen of the oil and gas industry. And I think I'm not burdened with any sense of class system. And so I find it very opening, welcoming. I find it very welcoming.

MR. RUBENSTEIN: So if you were to eventually leave your job, what would you like your legacy to be for the time that you've been the group chief executive?

MR. DUDLEY: Getting through this interview, quite frankly. [Laughter.]

MR. RUBENSTEIN: OK. Well, almost over. [Laughter.] All right, so – it can't be that painful. I mean, you've had root canals. I mean, that's worse probably. [Laughter.] So let me ask you a final question, and be very serious. What message would you like to have Americans know about BP? If you could say to people: Here is what I'd like you to know about BP, you know, an elevator speech about what BP is doing and so forth, what would you most like Americans to know about BP?

MR. DUDLEY: Well, I think, one, to know just how much of America is embodied in BP. One third of our business is in the United States, 40 percent of our shareholders. You know, so much investment goes into jobs here in the United States, and more than any other country in the world. It doesn't feel like a foreign company, I think. It's woven into the fabric. And I think that's one thing people may not realize.

MR. RUBENSTEIN: OK. All right.

Well, I want to thank you very much for representing the United States a bit in Britain, and for the great job you've done in restoring BP's image. And let me give you a gift – a copy of the first map of the District of Columbia – on behalf of the members of the Club. Thank you.

MR. DUDLEY: Thank you. [Applause.]

Robert (Bob) Dudley
Group Chief Executive
BP plc

Bob Dudley became group chief executive of BP plc in 2010.
Bob joined the oil and gas industry in 1979 and has held a variety of engineering, commercial, and strategy posts in the U.S., the U.K., Russia and China.

In 2009, Bob was appointed to the BP Board with accountability for the Americas and Asia. From 2003 to 2008, Bob served as President and CEO of TNK-BP in Moscow. Following BP's sale of TNK-BP in Russia and acquisition of ~20% of Rosneft, he joined the Rosneft board in 2013. Previous roles include Vice President for Alternative and Renewable Energy activities and Vice President responsible for BP's upstream business in Russia, the Caspian region, and Africa.

Bob's external roles include membership of various Business Councils, the UK/UAE CEO's Forum, the Advisory Board of the Tsinghua School of Economics in Beijing, and the Russian Geographical Society. He is a Fellow of the Royal Academy of Engineering.
Bob has a Degree in Chemical Engineering from the University of Illinois, a Masters in International Management from Thunderbird School of Global Management, and an MBA from Southern Methodist University.