

Moral Money special edition: In depth with BP's Bernard Looney

'I can only see Covid adding to the challenges of oil in the years ahead'



Bernard Looney: 'Our people are good people — they want to make a difference and be a force for good in the world' © Bloomberg

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One thing to start: today is day two of the Financial Times' Global Boardroom, a live online event featuring the most senior global decision makers and leading minds in policy, business, tech and finance in conversation with top FT journalists. [Sign up here](#) and make sure to tune in today at 1pm BST for a Moral Money panel hosted by Gillian Tett.

This week LGIM, Europe's second biggest asset manager, took the rare step of [pre-announcing its vote](#) for ExxonMobil's annual meeting — and declared that it wanted to oust the company's chairman over climate change issues.

It remains to be seen whether LGIM (one of Exxon's biggest shareholders) will win. But the signal this sends is clear: irrespective of Covid-19, investors are stepping up the pressure on oil majors to embrace policies to tackle climate change.

So how should the CEO of an energy company respond? Moral Money sat down with Bernard Looney, BP's recently appointed CEO, to discuss precisely this. Until recently, BP was viewed as a laggard on climate compared with rivals. But Mr Looney insists that his company is now a pioneer since it announced plans in February for its business to become carbon neutral by 2050 (although some climate groups [still say](#) its ambitions fall short of aligning the company with the Paris climate goals*). The company plans to invest heavily in renewables and Mr Looney says he wants to listen to critics, displaying more humility than many of his counterparts.

But will this convince the sceptics? And how will Covid-19 and persistent low oil prices affect Mr Looney's calculations, given that BP is laden with debt? The following transcript is lightly edited for clarity and brevity.

Moral Money: You made some quite startling statements back in February about wanting to go carbon neutral by 2050, not just at the company, but with your customers as well, and I presume suppliers. What sparked this? Is it still possible given the financial pressures that the energy sector is now under as a result of Covid?

Bernard Looney: I think it's very clear to any of us that society wants a different energy solution. Much is made of the difference between the east and the west and the rich and the poor, but no matter where I travel in the world people want clean, reliable, affordable energy.

So, I look first at society and what it wants, then at the lens of our staff, and what they want. There's this concept among some people, which I understand, that these oil companies are evil and that they're made up of bad people. But our people are good people — they have families, kids, all the things that any normal person in life has. They want to make a difference and be a force for good in the world. Finally, there are shareholders. Shareholders increasingly want to invest in a company that does good. But they also want to invest in a company to give them a financial return and as I look back on the record of the oil and gas sector over the past decade or so, it hasn't been very strong.

That brings me to the second point, which is we're doing this because we actually see an enormous business opportunity. That's why we laid out the ambition that we did — we said we'd get to net zero and do it on an absolute basis and not an intensity basis. When hydrocarbons are burned either by our customers or someone else's customers, carbon dioxide is emitted in the atmosphere. We said that by 2050 we would have that equivalent at zero. If every energy producer did something similar, the world's problem from an emissions perspective from the energy sector would be solved.

I did this really on the basis of my own belief system but also [through] listening over a period of three to four months, after I was announced in the job, to different people that we wouldn't normally speak to — the UN Global Compact, nature conservation foundations. I also listened to a woman who probably has influenced me more than anyone who is an activist.

MM: How does Covid change that?

BL: I always say to people that ESG is a three-letter word. Before it was one dimensional . . . focused on climate. [But] this current crisis has caused that to evolve to the societal aspect of the role of corporations. How does Covid change things? I think it has only emphasised, re-emphasised, recommitted me to the need to take BP on the energy transition. Why? First of all, I think oil has its challenges and I can only see Covid adding to the challenges of oil in the years ahead. We don't know how it's all going to play out. But it's gotten more likely to have oil be less in demand. Second, I think people are more aware of the fragility, the frailty of the ecosystem that we're living in — that things can change overnight. People are looking up at the skies and seeing clean skies and things are quieter on their roads — people will emerge from this potentially more conscious of the quality of air and the environment.

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Bernard Looney, BP chief executive

Third, from a financial perspective, we have negative WTI prices or oil prices in America — but at the same time Lightsource BP, where we own 50 per cent [of the solar energy company], is accessing any money or capital or debt that it needs to do its work. What that says is that renewable energy is the only energy source that is growing this year. So these are the three things that make me as, if not more, committed to transition [to clean energy], post Covid.

MM: So will you stop investing in dirty oil projects to invest more in wind and solar? Can you pay for that without cutting your dividend?

BL: It's a very, very difficult environment for us. On the 12th of February we said that over the coming years we would invest more in low carbon and less in oil and gas over the medium term, and would come back to the investment community in September with an update on that. People obviously were a little critical of the lack of detail, which I understand, [but] it was important to set a destination. The details will come.

MM: Have we reached peak oil?

BL: I don't think we know how this is going to play out. I certainly don't know. Could it be peak oil? Possibly. Possibly. I would not write that off. But there are so many things we don't control, I genuinely don't know what the future looks like. All I know is it's uncertain, it's going to have volatility.

MM: Given the resource pressure on oil majors' budgets, is it time for them to club together and invest in renewable energy technologies as a group? Or should they simply hand cash back to shareholders and let shareholders fund a new wave of renewable energy companies instead?

BL: Many of the [renewable] technologies exist, we just need to use them. Where the technologies don't exist — carbon capture might be an example — the industry is working together through the Oil and Gas Climate Initiative.

But I think it's a good question whether we have the right to play in the new world or not. A lot of people would say that a company like ours doesn't, since we have been an oil and gas company for 110 years and we're never going to make it as a company that produces different forms of energy in the future.

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I would respectfully disagree. Putting [solar energy] in place in the power system, which represents 10 per cent of the electricity grid, say, is really not a problem if there's enough things happening in the other 90 per cent, so that when the sun doesn't shine the power is [still] reliable. [But] when renewable energy penetrates to 60-70 per cent of the electricity system, which it needs to, it gets much more complicated. That's where a company like BP comes

in, because we are a large integrated company — we have 6,500 engineers, 2,000 scientists, one of the world's largest trading organisations; we build major projects, operate major plants, market products. We are one of the few companies in the world that can actually solve large complex problems. If you're an Amazon or Microsoft, they don't want to contract with a solar provider uniquely, and then have to go to a wind [company] and then maybe go to a gas company because they need that reliability — they don't want to deal with that. We have a unique role to play and the harder the problem gets, as it will, we are better placed to solve that.

I don't want that to sound like we know everything because we don't — humility is not a bad attribute. We have our investors to convince. And September is not going to give all the answers [to investors]. This is a journey that's going to play out over decades. But we will be bringing the next level of detail in September.

MM: Investors have been saying for a long time that the dividend has been a burden? Should you reset as Shell has?

BL: We will take the next decision in the second quarter when we'll review the circumstances. I'm not going to comment on Shell other than to say that they're a great company.

MM: It feels like there is a distinction between the European majors and the US oil majors [on the energy transition]. Do you see this gap widening?

BL: Not really. People say that we're under a lot of pressure here in Europe and so on so forth with ESG. But it's not how I experience it — I experience an enormous responsibility to society to make sure that BP is adding to the world, not taking from it, like many people think. I feel an enormous responsibility to our shareholders. But I don't think of these things as choices and trade-offs but opportunities.

I think companies in America are doing what they think is right for those stakeholder groups. We're choosing to do what we're doing.

MM: What is your view now on the carbon tax/carbon dividend?

BL: I'm not an economist or a finance person but I get the basic concept of an externality. If something isn't priced into your decision making process, then you may not be making good decisions, right? Carbon is an externality, and therefore we strongly believe that a carbon price is a key part in helping the world move to a very, very different place in terms of emissions. Of course, we wouldn't want to do it at such an economic [moment] as we're seeing now — we have got to make sure that that carbon price doesn't hurt the poorest and most vulnerable in society. So there has to be some form of a dividend too.

MM: We got a question from a reader earlier today asking how someone who would invest in or bail out a shale oil exploration company can manage to sleep at night? What are your thoughts?

BL: It's complicated. The problem is that people don't trust [us]. If you live in Azerbaijan, Indonesia or Angola people have an enormous amount of trust in a company like ours. If you go to Norway, people would have a huge amount of respect for a company like BP too. But people who are not in countries like that — who are in Florida or New York, say — have a very poor image of a company like ours. I'm not going to sit here and tell them that they're wrong just because I have a different view. I listen to them — my mother told me you have two ears and one mouth, and you should use them in that proportion. I get lots of those comments on LinkedIn and on Instagram and I try to reply to all of them.

I feel we have good people in BP — those people don't want us to damage the world. So what I would encourage is less polarisation, black and white, good and evil, and a bit more "let's sit down together". That's what we're trying to do.

We shut down our advertising before and we're going to direct some of that money into advocacy, advocating for policies that will promote the transition. Why would we want the transition to happen? We think it's in our interest, not just because it is the right thing for society, but we see an enormous business opportunity. Let me give you an example: in the United Kingdom, the UK government wants to bring forward a ban on internal combustion engines. Traditionally, we would have seen that as a potential threat to our petrol business. But [today] we're also the largest charging network in the UK — we own Chargemaster — so let's bring forward the end to the internal combustion engine.

We are a big company — this doesn't turn on a dime overnight. People are looking for every inconsistency because they don't trust us. But we have been clear on our ambition. We will exit trade associations, where we simply no longer believe that they are consistent with what we do. We exited three, just a month ago.

MM: What we're seeing right now is only confirming the volatile nature of this business and the commodity cycle. So is one of the benefits of the renewable sector that it creates more resilience against the volatility?

BL: There's a lot in that — it's diversification. Today, we're a hydrocarbon company. But we will become a different type of energy company over time with decarbonisation. \$300bn a year is getting spent on new sources of energy. If the world is going to hit [the 2C target], that's going to be \$1tn a year, and if the world's going to emit one and a half degrees, that number goes up to two and a half trillion dollars a year. For a company of our experience there is enormous opportunity in that. It is the right thing to do from a societal perspective, a staff perspective, and for our shareholders. We've got some work to do to prove that business case to [shareholders] — that's what September is partly about. I'm sure they won't all be convinced on the day. But it's a step in that journey.

MM: Can we talk about debt levels at BP? How will that affect all the ambitions you have on the climate?

BL: Let's come back in September and talk about how we do it.

I don't want people to think that this [company] is one person — if you've been in oil and gas for 35 years of your career, you're going to have a slightly different perspective on it [from me]. But people want this. Last week, these guys in Toledo in Ohio wrote to me and asked would you mind joining us [on a call] for a few minutes, right? They work on the refinery — your normal good people, from the Midwest. So we get on the phone and talked and they told me a little bit about what they're doing to handle logistics for the refinery, and so on, so forth. Then one of them says to me: "Thank you for what you're doing on the energy transition, and the commitments that you have made."

I said: "Why do you say that right now, as people whose livelihoods depend on this oil refinery?" He laughed and said: "The guys here will tell you that I'm crazy about my grandchildren. If given a choice, I choose my grandchildren every time — you're helping the world get to a better direction. I'm very happy for us to provide the cash flow in this refinery that you can invest into that new business so that my grandchildren have the chance to live in a better world." It was moving. These are the types of things that drive you on.

MM: What about the efforts to get banks to stop financing fossil fuel companies? Do you expect that to increase your cost of capital? Are you worried about losing access to capital?

BL: That's not way up my list of why we need to make this transition. I do know that it's impacting some smaller companies in our sector without question. [But] it's not something that's yet impacting a company like ours — I'm not doing this transition because I am anxious that I won't ever be able to borrow.

**This article has been amended from the original to reflect that some climate groups are critical*