

A portrait of Bernard Looney, CEO of bp, smiling and wearing a white button-down shirt. The background is a dark, solid color.

# Navigating the Perfect Storm

In his first year at the helm, bp CEO **BERNARD LOONEY** has had to contend with a pandemic and a historic plunge in oil prices. Yet his greatest challenge may lie ahead: **leading the company through a decade that climate-change experts call “decisive” for the future habitability of the planet.**



**A** WEEK AFTER BECOMING CEO OF BP, Bernard Looney made a landmark announcement: The company would become a net-zero emitter by 2050 or sooner, and that it intends to help the world get there as well. That is a big deal for any company; for one of the world's leading producers of oil, it was a remarkable commitment.

Within weeks of that announcement, COVID-19 swept across the world, causing a historic nose-dive in demand for oil.

In April, less than three full months in his new role, the price of crude futures briefly went negative for the first time ever, and the International Energy Agency predicted that 2020 would be “the worst year in the history” of the oil industry.

Indeed, the industry has been dealing with the impact of a low oil price not only throughout this year but also its likely longer-term implications. Looney has had to deliver difficult business updates, including write-downs and layoffs. bp may have committed to carving out a net-zero future, but in the meanwhile the company still has to deliver competitive oil and gas in a fierce and volatile market.

Yet for the future, the defining issue for Looney, for bp, and for the industry, is climate change. Having set out his bold net-zero ambition in February, Looney followed up in August by fleshing out bp's strategy to achieve it.

The company will cut oil and gas production 40 percent by 2030, and increase its low-carbon investments tenfold over that same time. It has halted hydrocarbon exploration in any new countries. Looney also announced that he is redirecting funds that would have gone to corporate advertising to advocate actively for policies that support net zero, including carbon pricing.

Mike Coffin, an oil and gas analyst for Carbon Tracker Initiative, a non-profit analyzing oil companies' climate impacts, told *Fortune* after the strategy was released that “bp is now the industry leader in responding to climate change.”

Having announced this industry-leading strategy, Looney has orchestrated ambitious investments to bring it to life.

In September, bp entered the offshore wind power market with a \$1.1 billion investment with Equinor—a move Reuters called “a significant step ... towards its energy transition goals.”

In November, the company partnered with

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renewables giant Ørsted on an ambitious initiative to produce green hydrogen. A month later, bp acquired a majority stake in Finite Carbon, the largest developer of forest carbon offsets in the US.

Such bold commitments and investments have drawn praise—even from a nonprofit like Greenpeace—yet the pressures facing Looney and bp remain intense.

He has to convince skeptical stakeholders that this is not just fine words but a sincere shift in strategy. He has to provide confidence that this is not just an aspiration but a deliverable plan. And, perhaps above all, he has to demonstrate to shareholders that this move is not a matter of virtue signalling but a pathway to capture the value of, as he puts it, the “trillions of dollars a year that are going to get spent re-wiring and re-plumbing the energy system.”

That would have been a challenge before the pandemic, when oil was \$70 a barrel; in today's world where prices are low and the outlook for demand uncertain, it's still harder.

As 2020 closed, the company's share price was down significantly from the start of the year—as were other majors like Royal Dutch Shell, Total and ExxonMobil.

So it's fortunate that Looney is no stranger to challenge. He was Head of bp's North Sea operations during the Deepwater Horizon accident and flew in to the Gulf of Mexico to help stop the spill.

Against today's backdrop, Looney firmly believes the need for new direction—and the financial opportunity to be realized from it—has only become clearer.

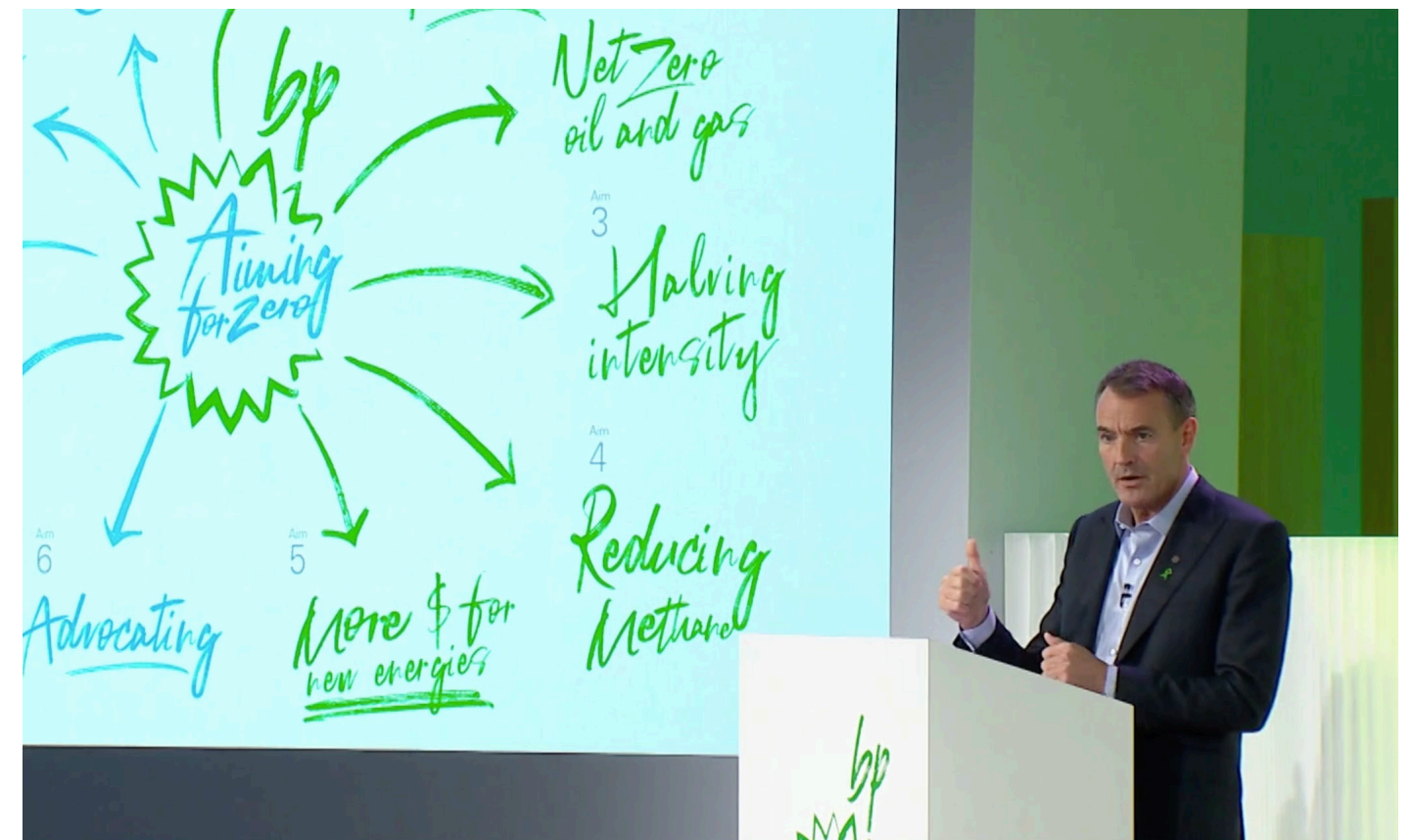
“We have seen some tough quarters in our 110-year history,” Looney said in August. “And while this last one has to be among the toughest, it only makes us more determined to change, not less.”

He spoke with Brunswick's Susan Gilchrist and Lucy Parker in the Spring of 2020, a conversation where Looney shared his belief that bp will be a very different energy company by the end of the decade, and that its journey ahead is about capturing opportunity, not managing risk.

#### **You made the net-zero commitment a week after becoming CEO. Why move so quickly?**

Well, carbon is the defining issue of our sector. And I think it was very important that people knew where I, as the new guy, stood on the matter. I had gone out and listened to our people, I'd listened to activists and NGOs, and I'd listened to our shareholders.

It was clear to me that our company had to



“The reality is we are seen by many as a source of the problem and worse still, an obstacle to solving it. On my first day last week, protestors forced us to shut down our headquarters and they're not the only ones who believe we are out of step with society. Some investors do as well, and some of our own staff. That's an uncomfortable place to be. And let me be very clear today that I get it ... The world does have a carbon budget. It is finite. And it is running out fast. And we need a rapid transition to net zero. Society has got to deliver on the Paris goals ... So our ambition is to become a net-zero company by 2050 or sooner and to help the world get to net zero ... We don't expect progress to be a straight line. **But make no mistake: The direction is set. We're heading to net zero. And there is no turning back.**”

—Extracts from Bernard Looney's inaugural speech as CEO, in mid February 2020—a week into his tenure

change and that we want to change. And it was important early on to ensure that people were clear on where I stood on that very important issue. And where I stand on that issue is that there is an energy transition under way in the world. It's important for the world. And I want bp to be a part of helping the world do what is good for this planet. We want to be part of that solution. Our staff want us to be part of that solution. Society does. And shareholders do.

It's the right thing to do from a societal standpoint, but we also see it as an enormous business opportunity. Trillions of dollars a year are going to get spent re-wiring and re-plumbing the energy system. The problems are only getting more and more complicated.

I'm very fortunate to be leading a company that has been built over 110 years that's got thousands of talented engineers and scientists. We market products. We're one of the world's largest trading

organizations. We build big projects. We operate plants. We're truly global. We operate in 78 countries. And when you look at all that and then you look at the opportunity, you've got to say there's an enormous business opportunity here.

But, I think the main thing for me was: It's very easy to think of the energy transition and climate change and all that goes with it as somehow a threat to our business. And you think, "How am I going to manage my way through this? How do we get through it?"

We're flipping it on its head and we're saying this is an opportunity. I believe that if we think opportunity, we'll see opportunity. But if we think risk we'll just see, dare I say it, darkness and shadows and all that could go wrong.

I know it sounds a bit corny, opportunity versus threat. But it's been amazing how it causes us to think differently. And we're going to lean in. It's the right thing for society and the world—and, therefore, I think it's good to go with that as opposed to somehow being pitted against it.

**I've heard you say before that it's not a good place to be when the world thinks you're the problem.**

Absolutely. It's challenging because I know that's how some people look at us, and that they don't trust us. But what do you do in that circumstance? Do you sit there and ignore those views? Do you point out all the reasons why those people's arguments are incorrect?

I've seen that movie, so to speak, with many companies over the years. I don't believe it works. In my view, if someone doesn't think well of you, how about holding up a mirror and looking at yourself first? And if we do that—and take responsibility for how people see us, as opposed to trying to prove that they're wrong and we're right—we might actually get somewhere.

Because you know what: As an industry and, no doubt as a company, we've given people reason to think how they think. The people challenging us are not bad people. They're trying to do what they think is right for the world.

What I want to do is get away from a scenario where we think "they're wrong, they don't get us," to a place where we can say "we need to take responsibility for how they view us." We have to be clear that we get it. We know the world has to get to a low-carbon future and we want to be part of that.

Now the question is how do we get into a dialogue? Because I believe we can learn. I want to

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MIKE COFFIN,  
analyst for nonprofit  
Carbon Tracker Initiative

listen to people. My mother did say you have two ears and one mouth and she suggested using them in that proportion.

**You also said that you weren't just making the net-zero commitment for bp. You wanted to help the world get there. Why add that?**

Firstly, I think if we said we wanted to just help the world get there and weren't going to get there ourselves, that wouldn't last very long as a position.

But also, just saying we're going to achieve net zero as a company is not the answer. It's no secret that bp is a large company, but it's still small on the world scale of emissions. So us getting there alone is not enough. Our people want to make sure that we're doing the right thing as a company and I think they also want to make sure that we're going to help the world get there.

We obviously won't have all the answers. But we're going to try—and we've got a lot of experience to draw on. We want to take our history and what we've learned, and see in a humble way, not in an arrogant way, can we help. We're not coming along and saying, "Here's the answer," or, "This is bp and we know exactly what everybody should be doing." But rather we'll be out there trying to help.

We'll be advocating very strongly for a price on carbon, for example. I said we wanted to be in dialogue. Well, to be in the dialogue, you have to be trusted. And to be trusted you have to admit some of your deficiencies and that you don't have all the answers—and that you make mistakes. So it's important for us to get to net zero as bp but, quite frankly, it's as important that we try and help the world get there.

**Not long ago it would have been pretty surprising for the investors in the oil and gas sector to encourage a company to move toward low carbon. And yet now there's a growing chorus within the investment community pushing for commitments on low carbon. On the other hand, you still have to deliver financial results. How do you view that balance, and how do you manage it?**

Well, first, there's this view that the financial returns to be made in, let's call it renewable energy, are much less than they are to be made in oil and gas. I actually think that's a bit of a myth. I've been in oil and gas for 28 years, proudly so, and I don't think the returns are actually as strong as what some commentators make them out to be.

Then on the renewable side, I think there's a

potential for the returns to be higher than what people think. So we have a job to demonstrate that the financial returns from both routes are in reality much closer than what some people might think.

The second reason for investor hesitation about the shift to low carbon is because investors would say bp doesn't have the skills: "You're an oil and gas company, what do you know about solar panels or wind or hydrogen or electrification?" So we have work to do to prove to people that actually we do have relevant skills and that through those relevant skills we actually can add incremental value.

We have a job to say we believe we can invest into this new area and we can make money in it. Let me just give you one example: When Microsoft or Amazon want electricity and energy for their data centers, they want it to be reliable every moment of every day. They want it to be cheap because they're trying to make a return. And they want it to be clean.

Now what they can't do is go to a wind company to get that energy—because it'll be clean and it'll be cheap but it won't necessarily be reliable. So, what we can do is put together some wind and

**"Trillions of dollars a year are going to get spent re-wiring and re-plumbing the energy system."**

some gas, and we put our trading business in there and our digital platform, and we can offer them a solution for what they want. That's the integrated set of skills bp has. But there's some skepticism around it and we'll have to overcome that.

**Becoming CEO of bp would be extraordinary at any time, but you did so amid mounting pressure on the oil and gas industry and with the pandemic starting to unfold. What's it been like for you personally?**

Well, I'm glad that I didn't spend a lot of time on a 100-day plan as a lot of people encourage you to do, because I think it would have been thrown away very quickly.

It's been difficult, of course, but it's difficult for everybody. You always have to be drawn to the fact that there are a lot of people who don't actually have the privilege that some of us do in bp—the privilege of being able to work from home.

We've got people out there in retail, for example. You know, we've got workers in the UK who are providing gasoline and diesel and milk and tea and bread and groceries to people—and they're right



**"Not the prettiest pictures—but there's an important message behind them.** These photos show Heathrow Airport in London, where our 'Possibilities Everywhere' advertising has now been removed. The same has been done—or is in progress—at locations around the globe. Worldwide TV advertising was pulled a few weeks ago. As part of our aims around advocacy, we said we would stop corporate reputation advertising. Now we are focusing our energy on using that funding to actively advocate for progressive climate policies. **We hope this shows we are taking real actions to back up our words."**

—Photos and caption posted by Looney on LinkedIn in February 2020



on the front line.

So it's definitely not straightforward, of course. But a lot of people have got a lot more challenges at the moment than someone like me.

I've got a lot of support and I'm fortunate to be surrounded virtually by lots of friends and people inside the company; what an amazing team.

**That opportunity to be connected virtually has its surprises, doesn't it? Do you find you can connect with people in a way that you never thought you could?**

It's incredible. I mean, within the span of a few weeks I've been—virtually—in China. I've been with an Air bp team in Paris. I've been with a group of refinery workers—they just reached out to me and I talked to them for half an hour. I was invited to a happy hour in Australia. And I would probably never have met these people if I was relying on a plane to get myself around the world.

**Meanwhile, the economics of the energy industry as a whole could hardly be more different than they were in the financial crisis. And you have got decisions to make about the future of the company at a time when the future has never seemed so uncertain. How do you go about thinking about it?**

It's important to have some very basic frames to work with. And we really focus on three things. It sounds simple but it's really helpful.

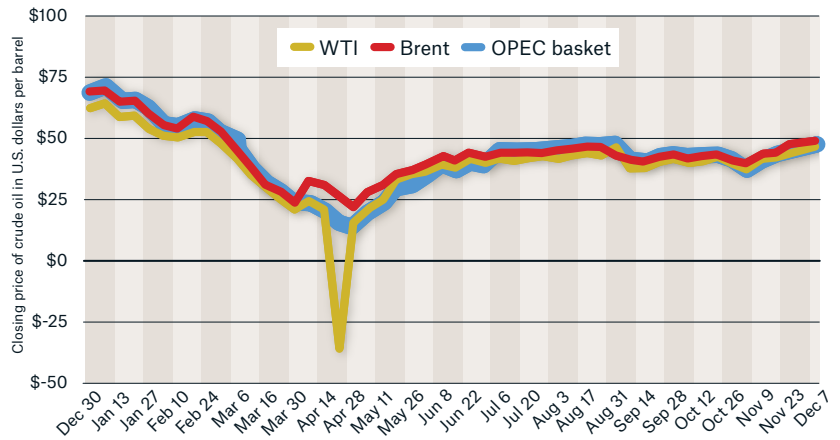
Our first job is to protect the health of our people. And we have people working in places as remote as Papua, which is about 10 hours from Jakarta, where our team is building an L&G facility. We had medical facilities in place for an accident, but we didn't have any for a pandemic. So we've had to figure out how to get people home. We've got people in retail sites donning personal protective equipment every moment of every day. So, first, how do we protect the health of our people?

Secondly, it's about supporting our communities; bp is a good company with good people. You know it's about as simple as that, and our people want to help. People ask, "Do you feel under pressure to act?" I don't feel under pressure to act; I think we feel a responsibility to act. And our people feel a responsibility, so we're doing our best to help communities around the world. Doing all sorts of things like donating free fuel to the emergency services in the UK and something similar in the United States.

Then thirdly, it's about strengthening our

## 2020: WHAT A YEAR FOR OIL

**The pandemic upended both the demand for and economics of oil. In April, the price of oil futures briefly went negative for the first time, meaning that oil traders were actually paying people to take oil off their hands. It was around then that the International Energy Agency predicted that 2020 would be "the worst year in the history" of the oil industry.**



**"Our business is performing well in an underlying sense, but the environment is brutal, absolutely brutal."**

finances because this is a very difficult time. Our business is performing well in an underlying sense, but the environment is brutal, absolutely brutal. Therefore, we're making sure we're doing all the things that we need to do around liquidity, around credit rating, around driving the breakeven of the business, and around tackling the balance sheet.

That's how we frame it. It's simple and it helps people put things into boxes so that we can compartmentalize and focus. I found it very helpful. And our organization has found it helpful.

**There seems to be this expectation for CEOs that wasn't there a decade ago: You have to step up and be part of the solution to societal issues. Do you see it that way?**

I'm often asked how I manage this tension between what society wants and what shareholders want. And I think if you've set the question up like that you start looking for the tension.

I don't see it being about trade-offs. I think if we assume there are trade-offs, that's what we will find. When, in fact, there's far more convergence on these issues than there has been in the past. ♦

**SUSAN GILCHRIST** is Chair, Global Clients, focusing on the most important thing at Brunswick: our clients. She was Group Chief Executive from 2012 to 2018.

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