To the kind attention of:

Board of Directors

BP Plc

1 St James's Square

London SW1Y 4PD

United Kingdom

25 September 2024

Dear Board of Directors,

Subject: BP – A continuing history of systematic value destruction under the leadership of a Board we believe has proved itself incompetent

This letter should be read with reference to our ongoing dialogue, given recent data points which have now been assessed. We recap below the events and main points which we believe justifies our conviction that the Chairman (Helge Lund) of the Board and the Lead Independent Director (Dame Amanda Blanc) should be removed.

First, we are shocked that you have not responded to our previous letter dated 23rd July 2024[1]. By refusing to provide us with a clear, rational answer, as to why Lightsource BP intends to build solar farms well above the 50MW threshold, without requesting authorization from the Secretary of State for Energy, it is our considered opinion that you are *de facto* admitting that Lightsource BP is either wasting shareholder capital or trying to circumvent regulation (or both).

In addition to this, we are amazed that the Board is not acting more decisively, given that 1) the renewables strategy has been a series of complete U-turns with no apparent consistency (just witness the latest announcement to sell the US onshore wind

[1] https://www.bluebellcp.com/_files/ugd/553283_aa1eaeb30be944cda8cee70b7803d679.pdf

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2 Eaton Gate, London SW1W 9BJ
Tel: +44 20 3826 0100

business); 2) the management has now admitted it will not achieve the financial targets that they set; and 3) BP's operational performance and share price is massively lagging peers.

What more does the Board need to see to realize that the current strategy is not working? What miracles do the Directors of the Board need to see, in order to convince themselves that their strategy is working? Or are the Directors simply ignoring the hard facts and not considering themselves accountable?

Firstly, it is hard to comprehend how many changes and U-turns have been made since BP's new strategy was unveiled during the Q2 2020 financial results on August 4th, 2020, so we list the highlights:

1. On 4th August 2020, BP unveiled a new strategy calling for a radical transformation of BP from an integrated oil company into an integrated energy company, with a drastic target to cut oil and gas production. The strategy was partially reversed in February 2023, with BP increasing its 2030 target for oil and gas production to 2.0 mmboed, having previously cut it to 1.5mmboed. At the same time, targets for refining throughput and for margins from convenience and electrification were completely abandoned. BP confirmed a massive $30 bn capital 2023-2030 plan in renewables, expected to contribute $2-3 bn of the 2030 Ebitda target ($53-58bn). Within 18 months of the original announcement, targets for traded electricity (original target of 350TWh in 2025, aiming for 500TWh in 2030), and for partnerships with cities and industries (original aim 10-15 city partners and 3 industry sectors in 2030) had also been dropped.

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2. On 10th September 2020, BP entered a strategic partnership with Equinor "*as an important step towards its aim of having developed 50GW of renewable power by 2030*"[2] and paid $1.1bn to Equinor for interests in the then existing US offshore developments. In 2023, BP took a $1.1bn impairment on its US offshore business and in January 2024, BP announced the dismantling of the JV and subsequently in June 2024, BP halted new offshore wind projects[3]. In September 2024, BP announced the decision to sell its US onshore wind assets.

3. On 14th September 2021, BP announced the hire of Ms. Anja-Isabel Dotzenrath - "*exactly the right person at exactly the right time, a globally respected and deeply experienced leader in renewable energy with a proven track record of transforming and growing businesses*" (former CEO Looney)[4] - to lead the transformation of BP, from an international oil company to an integrated energy company effective 1st March ,2022: in April 2024 - merely two years into the job - BP announced that Ms. Dotzenrath was leaving the company.

4. According to BP governance (2024), one of the duties of the Senior Independent Director is to "*be available to address shareholders' concerns which have failed to be resolved by the chair, CEO or CFO or for which such contact is inappropriate*"[5]: on 7th and again 13th May, 2024, BP's Senior Lead Independent Director Amanda Blanc refused to make herself available to address Bluebell Capital Partners' concerns which have not been resolved by the Chairman;

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2 https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-and-equinor-form-strategic-partnership-to-develop-offshore-wind-energy-in-us.html

3 Source: https://www.theguardian.com/business/article/2024/jun/27/bp-imposes-hiring-freeze-and-halts-new-offshore-wind-projects

4 https://www.bp.com/en/global/corporate/news-and-insights/press-releases/anja-isabel-dotzenrath-leading-renewable-energy-executive-to-head-bps-gas-low-carbon-energy-business.html

5 https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/role-of-senior-independent-director-2020.pdf

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5. BP's Code of Ethics require BP's Officers "*owe a duty to the Company to act with integrity (…). Integrity requires, among other things, being honest and candid (...). Deceit and subordination of principle are inconsistent with integrity.*" (BP's Code of Ethics)[6]: BP, acting through its subsidiary Lightsource, obtained planning permission to build a solar farm at Burnhope, subsequently revoked by the Tribunal to be "***unlawful***"[7]. At the 2024 AGM, BP, failing in its basic transparency obligations towards shareholders, refused to answer questions on its unlawful conduct in pursuing business opportunities in the renewable sector.

6. As highlighted earlier, BP refused to provide any explanation of what appears to us to be a clear attempt to circumvent current Planning regulation, in the application submitted by the Company for two new solar farms in March 2024 (Hett Moore) and June 2024 (Burnhope) (see our letter dated 23rd July, 2024)[8]. Since we confronted BP regarding its responsibility for unlawful conduct, the only visible action seems to have been lobbying efforts to persuade the government to raise the threshold for central government approval from 50 MW to 150 MW.

7. On 7th February 2023 (at Q4 2022 results), BP announced a 2025 Ebitda guidance of $46-49bn, guidance which was reiterated at every opportunity since then, including the Denver Investor Day in October 2023 and the Q1 2024 results in May 2024. The achievement of this target was supposed to be the ultimate proof that BP's strategy was delivering shareholder value creation. It is clear to us that this is a figure that the market never believed in, as can be seen from the following charts – a demonstratable futile exercise on BP's part. Then, in July 2024, at the

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[6] https://www.bp.com/en/global/corporate/who-we-are/governance/code-of-ethics.html
[7] https://www.rushcliffe.gov.uk/media/zgbpn1hf/cd-59-galloway-v-durham-county-council-3 2024-ewhc-367-admin.pdf

[8] https://www.bluebellcp.com/_files/ugd/553283_aa1eaeb30be944cda8cee70b7803d679.pdf

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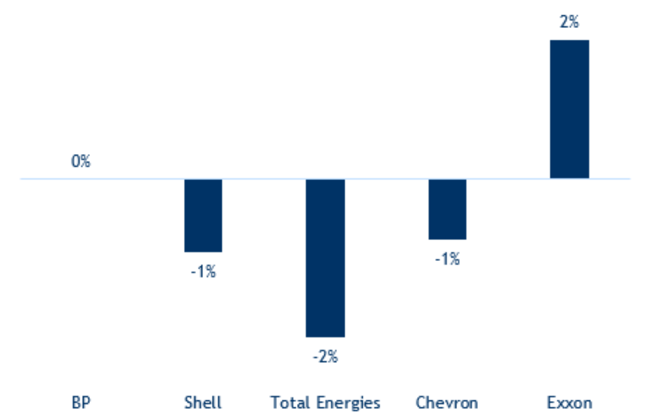
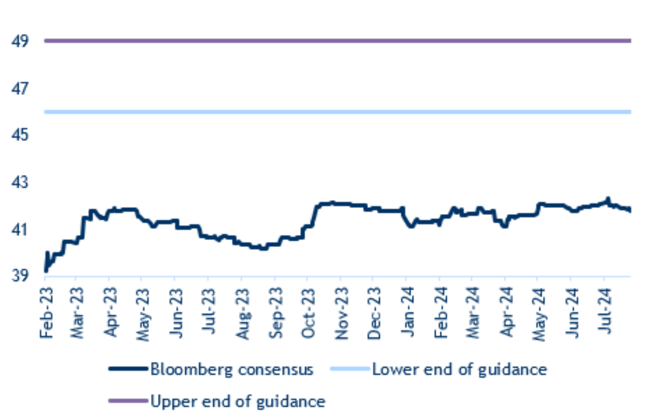
Q2 2024 results, Mr. Auchincloss very subtly (*rectius*: sneakily) guided for an Ebitda miss of $4bn[9], which at midpoint is an 8% miss versus the guidance.

It would be reasonable for us to request a clear explanation as to what tangibly happened in the three months between the Q1 results in May and the Q2 results in July 2024, that would lead to such a downgrade? Our analysis suggests that there is indeed nothing, as can be seen from the following chart. Between these two dates, 2025E Ebitda consensus for oil majors barely moved, making the argument that commodity assumptions sharply moved during that time, to be a very weak one indeed. BP's management just implicitly downgraded 2025E Ebitda towards consensus[10].

2025E Ebitda changes between BP Q1 and Q2 2024



BP 2025E Ebitda ($bn)



The downgrade to the 2025 guidance was justified by changing assumptions underlying the guidance, in a very opaque manner. When questioned about these changes, during the Q2 2024 call, BP's CFO was not able to effectively respond in simple terms and

9 "As you'll be aware, 2025 Brent strip is at around $75 per barrel, and other commodities and prices, including refining margins, are under pressure. Were these prices to play out, the rule of thumb impact in 2025 would be around $4 billion – but that's a price call that we don't know at this stage." https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-second-quarter-2024-results-presentation-slides.pdf
10 Charts Source: Bloomberg data as of 18/09/2024

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directed the analyst to an offline call with the IR department, implying a long and technical answer was available. The implication of changing underlying assumptions is well summarized by HSBC, in their research note published after the Q2 2024 results (see below).

HSBC Global research – 8 August 2024 - Extract

"Did BP just implicitly downgrade its 2025 targets?

We think BP may be preparing to formally drop its 2025 EBITDA target. With 2Q results, BP subtly adjusted the macro assumptions underpinning its targets: assumptions changed from the original deck of USD70/b Brent, USD 4/b Henry Hub and USD 14/b refining marker margin (all 2021 real) to 2023 prices. BP says that 2023 commodity prices "taken together were broadly consistent with [the] planning assumptions". We disagree with this statement, as the energy macro environment in 2023 remained supportive overall following the disruptions of 2022 caused by the war in Ukraine. 2023 realised prices were on average higher than BP's original assumptions, with Brent at USD82/b and BP's refining market margin (RMM) at USD25.8/b; only US Henry Hub gas of USD2.7/mBtu undershot BP's assumptions. Using 2% annual inflation to derive 2025 nominal assumptions (a point which we address below), the difference between previous macro assumptions and a 2023 environment is equivalent to cUSD5.9bn using the company's "rules of thumb" sensitivities. Therefore, one could conclude that BP's 2025 EBITDA guidance was implicitly revised down by around 12% to cUSD40-43bn."

By not providing any bridge to its changes in assumptions, and the reasoning behind it, BP has simply made it impossible for investors to effectively track its performance and seemingly tried to hide the simple truth, that BP is not delivering on its targets, full stop. Any experienced Director would have seen through that (evidently not the case here).

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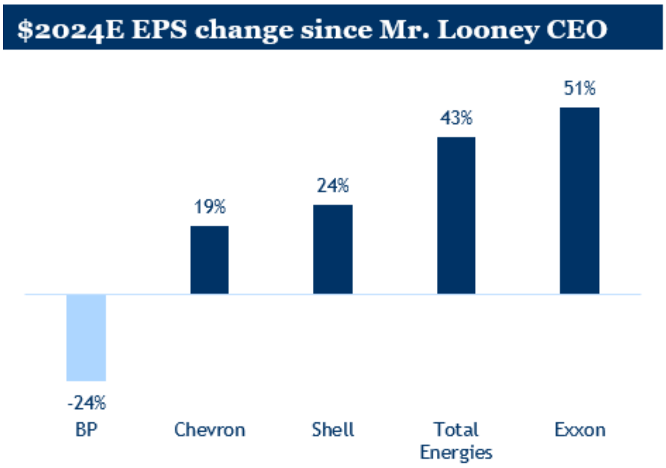
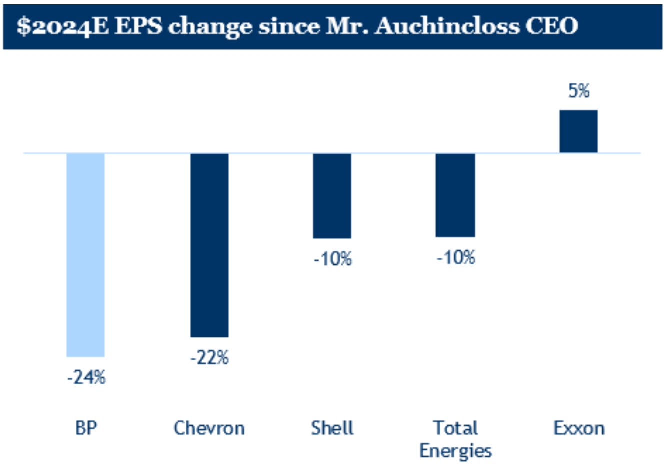
Not only is the current strategy not delivering its financial targets, but BP is also demonstrably significantly lagging the operational performance of its peers. The following chart demonstrates that since Mr. Looney was appointed as CEO, consensus expectations for BP 2024 $ EPS have come down by 24%, whilst it has gone up materially for the other oil major companies. This trend has not been reversed under the leadership of Mr. Auchincloss.[11]

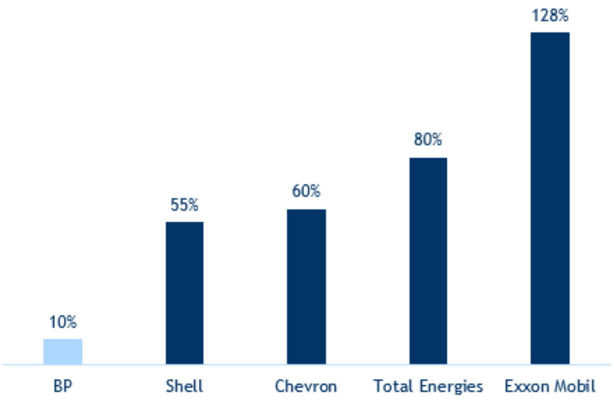




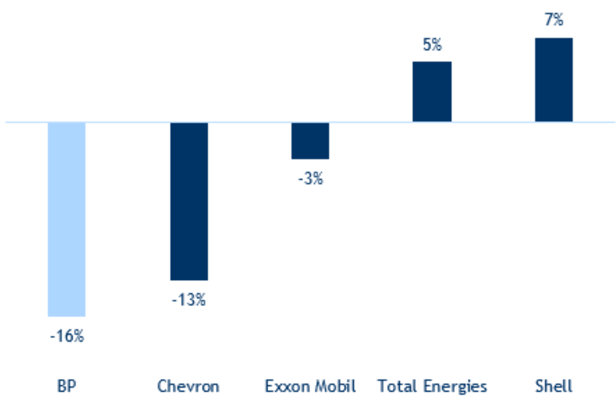
The failure of the current strategy is ultimately reflected in the frankly embarrassing performance of BP's share price versus its peers, with BP achieving only a 10% € TSR since Mr. Looney joined as CEO, whereas all its peers achieved € TSR of above 50%. The situation has not improved under the leadership of Mr. Auchincloss and his minor tweaks in the strategy, as can be seen from the charts below.[12]

[11] Source: Bloomberg data as of 20/09/2024. Mr. Looney and was appointed CEO on 05/02/2020 and Mr. Auchincloss interim CEO on 12/09/2023.
[12] Source: Bloomberg data as of 18/09/2024

€ TSR since Mr. Looney CEO appointment (05/02/20)



€ TSR since Mr. Auchincloss is CEO (12/09/23)



Given BP's unacceptably dire performance, the abandonment and numerous U-turns in its 2023-2030 strategic plan, the complete loss of strategic direction and the recognition (albeit seemingly deceptively presented) that the communicated EBITDA target no longer applies, BP should immediately present an updated strategic plan to the investor community. Waiting until the publication of the 2024 FY results is a waste of time in these circumstances and creates the false impression that this update is business as usual. In reality, the upcoming update must be a clear acknowledgment of the BP Board's failure.

Mr. Auchincloss joined BP in 1998, and from July 2020 to September 2023 he served as BP's Chief Financial Officer before becoming first interim CEO (September 2023) and then CEO (January 2024). We find it outrageous that, after this tenure and twelve months in office, Mr. Auchincloss has not produced an updated plan, preferring instead to table a potential update only in February 2025.

In conclusion, the Board should take immediate action to update the market with a revised strategy, ideally at the Q3 results stage, and given this evidence of a grossly poorly managed company, the Chairman of the Board and the Lead Independent Director should be removed. As always, should any of the Board members wish to engage with us we remain available.

Bluebell Capital Partners Limited
2 Eaton Gate, London SW1W 9BJ
Tel: +44 20 3826 0100

Yours sincerely,

Giuseppe Bivona	Marco Taricco
Partner and CIO	*Partner and CIO*

CC: Nicolas Ceron, Portfolio Manager

Bluebell Capital Partners Limited
2 Eaton Gate, London SW1W 9BJ
Tel: +44 20 3826 0100