

A HERITAGE COMPANY

With its distinct British heritage, BP is as much a part of the UK landscape as football, tea drinking and the Royal Family. Born in the early days of the 20th century, BP may have started life with a predominantly Middle Eastern outlook, but quickly came to the forefront of North Sea development in the late 1960s. It's not all about looking back though, and as **Ian Valentine** discovers, the organisation has some innovative projects up its sleeve to secure its place in the next 100 years of British history.





Rugged landscape:
Dunnottar Castle in
Stonehaven, located
south of Aberdeen.

United Kingdom

Fast forward to the year 2050. In a global survey of BP's staff, how many will remember what the 'B' in 'BP' once stood for? Of course, until the late 1990s the 'B' stood for British. It is a word that conjures up all sorts of images, from the Beatles, Winston Churchill and Diana, Princess of Wales, to Big Ben, Stonehenge and the Forth Bridge. What does it mean to you? It could be fish and chips wrapped in scandalous tabloid newspaper; the sound of rugby supporters in full song during a match at Cardiff's Millennium Stadium; or the skirl of bagpipes in a Highland glen.

The evolution of 'British Petroleum' into the international energy company it is today reflects the situation that the UK faces in an ever-shrinking world. It has a long, successful history and a position of strength, but it cannot rest on its laurels. To continue as a major player in a competitive market place, it must adapt to survive.

It's something the organisation is very good at – you need look no further than its role in the northeast of Scotland and the North Sea to see that. Of course, as any discerning tourist will confirm, you have not seen the best of Britain until you visit Scotland. In a land of mountains, mystery and music, there is so much more to it than malt whisky, haggis and *Auld Lang Syne*. The Scots have been pioneers in the fields of economics, technology and scientific exploration for many centuries, and one need only mention the names Adam Smith, Alexander Graham Bell and John Logie Baird to illustrate this heritage.

It is this pioneering spirit to which BP can relate. The company still employs some 2,500 people directly in Scotland. Aberdeen, the energy capital of Europe, has been the headquarters for North Sea exploration, and home to BP since the late 1960s, when North Sea oil and gas exploration first began. In 1970, BP

discovered the 2 billion-barrel Forties oilfield, confirming the North Sea as a globally significant oil and gas province. Since then, BP has continued as a major player in the UK Continental Shelf, finding and operating numerous oil and gas fields and pipeline systems to bring the hydrocarbons ashore.

BP remains the largest producer and investor in the UK North Sea, spending almost \$3 billion a year in the region and producing around 400,000 barrels of oil and gas per day. There is still up to 25 billion barrels of remaining resource potential in the UK North Sea.

So why is it that critics are so keen to write off the North Sea as a sustainable site for oil production? What challenges must the current infrastructure overcome to ensure Scotland continues to supply the rest of Britain with hydrocarbons? "While we have a huge amount of experience in this basin, there is a very different set of challenges ahead in the North Sea," explains Dave Blackwood, who heads up BP's business across the whole North Sea. "North Sea exploration was built on technologies that had really pushed the boat out. When Forties was developed, it was considered to be deepwater, as were many of our fields.



Sea world: the coastal town of Aberdeen (left) has become the energy capital of Europe thanks to North Sea reserves. Above, puffins make their home in the grounds of Dunnottar Castle.



We were achieving a lot of firsts back then, the basin was opening and the priorities reflected the situation. It was a time of huge growth and expansion and an attitude of 'time is money'. But now we're into the second half of the North Sea's life, it's a very different game indeed."

Back in those glory days, it was comparatively easy to tap into pools of hydrocarbons and extract the black gold. While the oil is still out there, these pools have begun to decline and BP will need to employ brain instead of brawn to find the smaller reservoirs. Blackwood explains:

"For our mature fields and facilities, trying to extend the life of their resources means we have to focus on a very different set of skills. We are still producing large volumes of high-margin hydrocarbons in this part of the world, but while we can slow the rate of decline, it is, by the laws of physics, inevitable. We must become increasingly efficient in the recovery of these smaller pools of hydrocarbons. We really do have a significant resource base out there in the North Sea to play for – but this doesn't come in 300 or 500 million barrel parcels anymore."

Despite BP's recent disappointment at not being able to prolong its proposed carbon capture and storage (CCS) project at Peterhead any longer to fit the government's timetable for competitive bids, the organisation hopes that it will be able to play a role in future CCS projects in the North Sea.

BP's presence in Scotland means more than just being at the forefront of current and future energy challenges, though. "It's also about being a responsible operator, looking after the health, safety and security of its own people, »



Forward march

The Household Division (above) is still a familiar sight in London and the changing of the guard remains a popular tourist event. Below, BP's petrochemicals site in Hull has been a constant presence for the past 40 years.



minimising the environmental impact of its activities and ensuring that the communities in which it operates benefit from its presence,” says Blackwood.

To support that, BP is involved in a number of initiatives aimed at stimulating economic development through entrepreneurship and community regeneration. In central Scotland, it was a founding partner of the 10-year *My Future's In Falkirk* initiative, which aims to grow and diversify the Falkirk economy, creating 4,250 jobs. So far, it has stimulated \$1.5 billion of additional investment. BP also works closely with 70 primary and secondary schools throughout Scotland, encouraging young people to develop their practical, analytical and social skills, as well as their knowledge and understanding of science and technology. Who knows, perhaps it will encourage the next great pioneer to take their place on Scotland's distinguished role of honour?

Travel down the coast from Aberdeen and you will eventually reach Hull and the Humber River, home of the Saltend petrochemical plant, where BP has been a continuous presence for the past 40 years. It is a huge complex of different manufacturing operations, stretching over 110 hectares, with a capacity to produce 1.4 million tonnes a year of petrochemical products, including acetic acid – one of the world's most important chemicals.

Just how complex and important the site is can be seen from its statistics. Saltend produces more than 500,000 tonnes a year of acetic acid – the basis for products such as paints and solvents – making it Europe's biggest producer. It hosts a number of third-party chemical producers, such as Nippon Gohsei of Japan, which operates an ethylene vinyl alcohol co-polymer plant, and Finnish fertiliser manufacturer Kemira GrowHow, which has an ammonia plant operated and maintained by BP. The site is also home to one of BP's centres of excellence in conversion technology for acetyls and the Group's conversion technology centre, which has led the world in developing chemical processes for the future. In addition, it will become the commercial centre for the European business during 2007.

Between 2001 and 2003, the plant took the ambitious step of centralising all its operations into a single control room, and one office facility – the first petrochemicals factory of its size to achieve this. Seven major production plants are now operated from there. “The results of this BP pilot scheme were soon evident,” says Graeme Stewart, Hull's works general manager. “The different teams are no longer



Local fare: a crab fisherman shows off his latest catch in Stonehaven harbour.

disparate entities, but all part of one streamlined group. By pulling together all of our strengths, we have been able to harness a variety of experiences and maximise efficiency.”

The Hull site employs more than 800 staff and contractors, making it an important employer in an area that has suffered in recent decades from the decline of the manufacturing industry. Hull's deep port was traditionally a jewel in Britain's shipping crown, a place of great wealth and opportunity during the height of the British Empire; but as it waned, so Hull wilted. “BP is very aware of the challenges that Hull faces to regenerate and adapt to modern industry, and so we try to be a good neighbour to the people of Hull,” says Stewart. “We provide funding for local schools and have trained more than 200 local school leavers as technicians through our excellent Quartz apprentice programme. I am especially proud of the many Hull-trained graduates and technicians who have gone on to become

successful employees of BP throughout the world. Hull is often perceived as a deprived area, but there is a great spirit, and now serious funding, in this town to regenerate and we must play our part to help. It is a very important part of the manufacturing fabric of this country and I am sure it will remain the jewel on the East Coast.”

In 1999, after a round of job losses at the Hull plant, BP helped set up Sirius, a project aimed at helping entrepreneurs start up their own companies. This included business loans, advice and training. Jason Bowers, owner of the Hull-based online retailer www.interiors-thestudio.com, was one such recipient of Sirius's help. “I had a great business idea, contacts and knowledge, so why work for someone else?” he said. “Sirius recognised the potential and gave me a start-up loan. Once I gained its backing the banks started to take my proposal more seriously. Sirius believed in me when no one else would. Now I'm expanding, taking on new staff and giving young people a chance. If you put your mind to it, anything is possible.” It is initiatives like these that, in recent years, have helped Hull witness a resurgence in fortunes and the city is once again on the rise.

This ‘can-do’ ethos could just as easily be behind some of the innovative ideas that BP has launched in the UK over the past 12 months to tackle a range of issues, from climate change to new customer offers.

It is almost impossible to open a newspaper in the UK without at least one article on the environment and the need to minimise greenhouse gases. Westminster politicians are likewise locking horns to win this populist ‘green vote’ and Prince Charles is outspoken in his efforts to reduce food air miles. This year, His Royal Highness even took a train to a business meeting!

In the past, oil companies have been loathe to acknowledge a link between the industry and climate change, but times have changed. Within BP, there is a two-pronged approach to tackle greenhouse gas emissions in both its operations and its products. One of the company's latest »

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Dave Blackwood



Brand value: a retail partnership between BP and Marks & Spencer is already proving fruitful (below). The company's petrochemicals site in Hull (left) produces more than 500,000 tonnes of acetic acid a year.

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Peter Mather

strategies to minimise the impact of road transport fuels on the environment is the launch of its project ‘targetneutral’. The non-profit, carbon-offsetting initiative gives UK drivers a simple, practical way to make their own contribution to reducing, replacing and neutralising the harmful CO₂ emissions their driving produces.

By logging on to www.targetneutral.com, drivers can calculate how much CO₂ their car emits, find out how to reduce that figure and also learn about, and contribute to, global projects to minimise CO₂. The average UK driver emits around four tonnes of CO₂ each year, the equivalent of filling one medium hot air balloon with pure CO₂. BP will also make a cash contribution for every litre of BP fuel purchased by targetneutral members. Through the scheme, all of BP's UK fuel tankers will now be CO₂ neutral. The money raised will be used to offset CO₂ emissions through projects such as three biomass energy plants, a wind farm in India and a livestock operation in Mexico.

“Motorists who want to reduce the environmental impact of their driving can very easily make a start by choosing a premium fuel like BP Ultimate, which helps to keep engines running at

maximum efficiency, giving better fuel economy and lower emissions compared to standard fuels,” says Peter Mather, head of country for BP in the UK. “And they can also offset their emissions with our targetneutral scheme. It is a positive, practical and straightforward step that BP is taking to enable drivers to help the environment. We are taking the lead because our extensive research shows there is a huge demand for it and a general feeling from customers that they don't know where to start.”

It's this focus on customers that underpins other initiatives, such as the drive to improve the overall service station experience. For example, BP's Wild Bean Café is fast becoming the place to pick up a steaming cup of coffee or an award-winning sandwich, as well as gasoline.

But it doesn't end there. It was Napoleon who described the English as a nation of shopkeepers and the French emperor had a good eye for detail. In 2005, BP signed an agreement with Marks & Spencer (M&S), one of the giants of traditional British retailing, to sell high-quality ‘Simply Food’ groceries in its service stations. Ten years ago, this would have been unthinkable for either party. Alongside BP, M&S is long- »







standing British brand. The trial has proved extremely successful and there are now 20 M&S Simply Food inserts within BP Connect stores, sitting alongside the Wild Bean Café brand. More are planned this year, with up to 200 opening over the next couple of years.

Coming together in this manner may once have been unheard of but is already proving successful. The partnership has picked up two prestigious awards from *Checkout Magazine* and the Convenience Tracking Program (CTP). Judges for *Checkout Magazine* described the format as “in a different league” to its rivals and that “BP stood out from the crowd.”

Some 37,000 customers chose this year’s winners at the 10th annual CTP Awards and BP, with M&S Simply Food, was recognised as the ‘best food-on-the-go retailer’. Once again, it was the combination of M&S Simply Food and Wild Bean Café brands offering customers a full range of ‘food for now’ and ‘food for later’ that won the accolade.

“These awards recognise us as being innovative and leading the industry,” says Karen Hubbard, convenience retail director

» UNITED KINGDOM
Did you know?

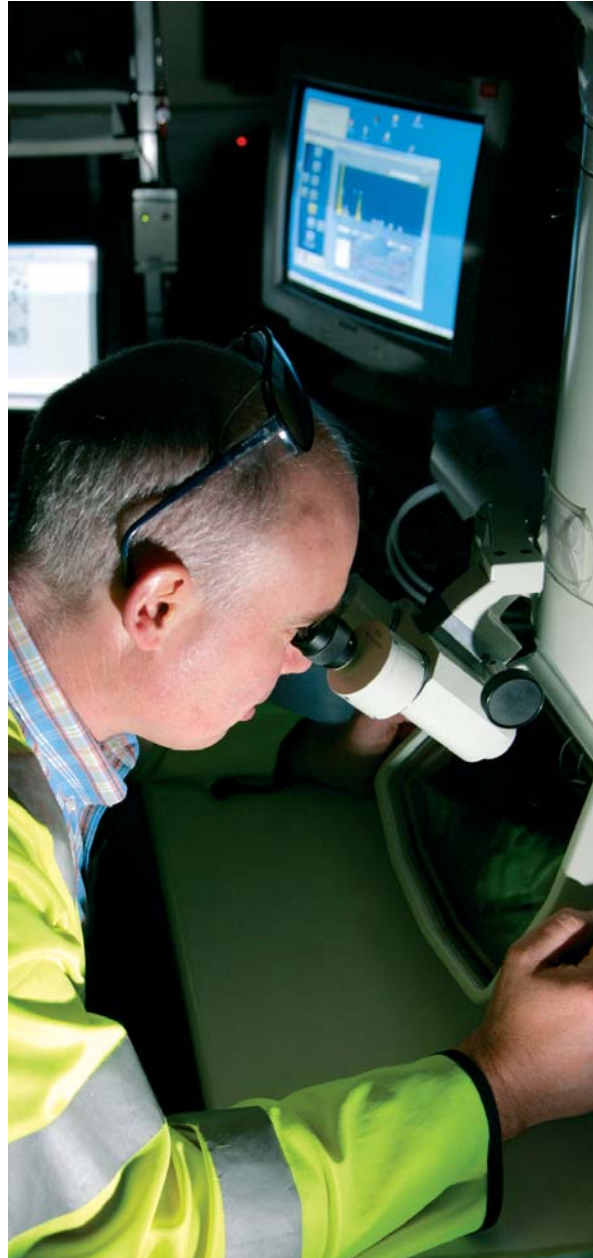
- BP Hull supplies much of the vinegar (acetic acid) used in Britain’s fish and chip shops.
- The North Sea Forties field entered the *Guinness Book of Records* in 1989 when it became the first oilfield in western Europe to produce 2 billion barrels of oil and natural gas liquids.

for the UK. “It takes us a step closer to becoming the great convenience retailer that we aspire to.”

BP’s overall campaign to offer more than just gasoline for cars has also resulted in a four-year deal with Homebase – one of the UK’s largest home improvement retailers – to sell BP’s liquefied petroleum gas (LPG) bottles for barbecues, camping equipment and caravans in 285 stores. The BP Gas Light bottle has had a dramatic impact on the market, exceeding consumer expectations thanks to a range of benefits not previously available in other designs. At half the weight of standard steel bottles, the easy-to-carry BP Gas Light version also features a translucent design to allow users to see the gas level at a glance and has increased safety features. In the event of a fire, it will not explode.

The deal is a result of two years of hard negotiation. “It was a triumph of marketing and patience,” explains Steve Fabes, manager for LPG UK. “We aggressively targeted Homebase, as it guarantees a high exposure to footfall in this growth market. In the end, we were there at the right time with the right product.” The results have been impressive, with the bottles selling at twice the expected rate. “We have been lucky so far with the unpredictable British weather, but Homebase expects to shift 100,000 barbecues this season and each one will have a BP Gas Light. If I am honest, it has surprised even me how well the product has been accepted. We can be a bit low key at times about how the public reacts to the BP brand, but they really do seem to trust it. They are familiar with the brand and associate it with quality.”

This consumer awareness has also led to the roll-out of an improved ‘chip and pin’



Close eye: the Hull site has become a centre of technical excellence (above), while home improvement retailer Homebase is now selling the ultra-light BP Gas Light bottle.

fuel card for regular users. The new BP PLUS Online Service will include the latest PIN-enabled security, which replaces a signature, along with an alert feature that allows fleet managers to monitor purchases on their cards in real time. Kathleen Callender, business-to-business marketing manager, believes it will take the hassle out of buying fuel. “We are excited to bring this offer to our customers, because it has been built on an understanding of their expressed needs and demonstrates our commitment to be responsive to them.” The first phase of the roll-out will be the delivery of PIN security to customers by July 2007.

So, what happens next for BP in the UK? Mather is determined that it remains an active player in the company’s portfolio and that it will not sit back on its past achievements. “BP is synonymous with Britain in that its origins were as a Middle Eastern company based in the UK. The head office has always been here and there is often a blurred line, at least in the public’s



eye, between British operations and those of the rest of the company. At the moment, I am closely involved with a project at Llandarcy in Wales to ‘green up’ the site of Britain’s and BP’s first oil refinery, founded just after the First World War, which we are transforming into an urban village. It has made me acutely aware both of our industrial heritage and of the need for us to look to the future.”

All BP’s achievements are represented in the UK by some 16,000 employees, at last count, engaged across the full range of activities. But as of the end of May, BP is no longer a refiner of crude oil in the UK, as it has sold its last functional refinery at Coryton. “We will have to be clever, as we have been in the past, to manage our supply position now that we don’t have a refinery of our own onshore,” Mather says. “This company has a great history of entrepreneurship in trading and I am sure we will deliver. But we still have a great set of assets in the North Sea, representing a major part of our current growth. BP is producing oil far beyond most people’s expectation and remains a massive

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Steve Fabes

contributor. We understand that it won’t last forever and that we cannot defy geology, yet it is not running out tomorrow. We must look forward to new activities, such as carbon sequestration, wind power and biofuels, as well as keeping our existing customers happy with new, improved products and services. We need to play a part in the future of this country’s energy security strategy, providing solutions and offering thoughts on the climate agenda in our own backyard.”

Mather observes that the UK is a small country that punches above its weight internationally. “While we have been a predominantly Anglo-American company, BP is a major player in Europe, with strong relationships there, which is an important place to be present. But BP is becoming increasingly global, employing local people for local jobs. London is a convenient head office for a global enterprise, as other

companies have found, but there can be no sentimentality towards the mother country: we need to operate impartially to provide the best return for our stockholders.

“We are proud of our heritage here, but the days when British expats got all the top posts abroad have gone. A modern, global energy business is exactly that. We can look back fondly, but we must also look forward to a future with Britain fulfilling its role as a member of this global network. I am very excited about that future.”

Fast forward again to the year 2050. Employees may not remember where the ‘B’ in BP came from, but Britain will still play its part in this global corporation. **BPM**

Writer biography >

IAN VALENTINE is a feature writer with a background in nature and conservation. He is based in Oxfordshire.