

BETWEEN THE LINES

HOW SERIOUS IS BP?

Erik Assadourian asks, what does it mean when one of the world's largest oil companies starts using the marketing slogan "Beyond Petroleum"?

BP, once known as British Petroleum, is neck and neck with ExxonMobil and Royal Dutch Shell in the race to be the world's largest oil company. (In 2002, BP had revenues of \$178.7 billion, just under Shell's \$179.4 billion and Exxon's \$182.5 billion). Yet BP's current ad campaign seems to promote the company at least as much as a provider of renewables, like solar and hydrogen, as of oil and gas. How much of this is an actual change in strategy, and how much is just greenwashing?

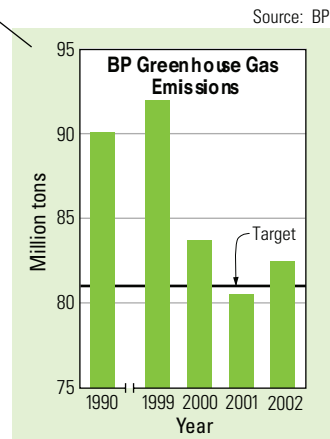
Yes, a start. But what is BP's real plan? Even as the company works to make its solar business "economically viable" (though it declines to provide a numerical goal), it invests heavily in exploring new oil and gas fields, recognizing that "hydrocarbons will be the mainstay of the world for decades to come." While it is working to clean up its act—providing cleaner burning fuels, reducing emissions, ending all facilitation payments (bribes) and political contributions—its efforts end there. BP is currently the 5th largest corporation in the world and with its capital could help drive the energy market to be genuinely sustainable. BP's leadership thus far has been encouraging. But will it lead the world in a sustainable energy revolution, truly moving beyond petroleum, or will it be content to profit from the exploitation of an increasingly taxed planet while draping itself in green?

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A powerful transformation: the BP shield morphed into a sun burst—nothing could connote renewable energy better than this.

Yes, George, there is a changing climate. Unlike the current U.S. president, BP CEO John Browne explicitly recognized the dangers of climate change and, in 1998, set a target of reducing greenhouse gas emissions from production to 10 percent below 1990 levels by 2010. BP succeeded in achieving that goal by 2001, saving \$600 million in the process. (Recent acquisitions increased its 2002 output). Compared to ExxonMobil, which remains in denial, BP has shown itself to be an industry leader on climate change. However, now that the company is close to its original goal, its new goal is not further reductions, but simply no further increases in the absolute tonnage of emissions. If any argument can be made that that's a fair goal, it's only because BP's vast expansion plan would otherwise lead to an *increase* of 50 million tons of greenhouse gases.



A second look: These figures just show “operational emissions,” not the emissions from the millions of barrels of oil sold each day, which can be 10 times as much.

Not exactly “beyond”: In 2002, BP extracted over 736 million barrels of oil and 3.1 trillion cubic feet of natural gas. It sold over 4 million barrels of oil *each day* at its 29,000 gas stations. Oil and gas sales make up at least 90 percent of BP's annual profit.

On the bright side: According to BP, “our renewables business, of which BP Solar is the largest part, is growing fast.” Indeed, BP Solar's production grew 28 percent in 2002 (to 70 MW) and the company now holds 17 percent of the entire solar market. That's something to applaud. However, the entire solar market is still in its infancy. BP Solar took in about \$300 million in 2002—just 0.2 percent of BP's entire revenue. In the past 6 years, BP has invested over \$200 million in solar power. That's a sizable investment, until compared with what BP spent on marketing its new image (another \$200 million or so) or how much it invested in exploration and production of fossil fuels in just 2002—\$9.3 *billion*.

Just one little problem: On its website, BP notes that it is “implementing a series of demonstration projects in Europe to develop a good understanding of the technical, cost, and customer acceptance issues associated with this alternative energy.” Sure, that's a start, except that BP is producing most of the hydrogen from fossil fuels. The benefits of hydrogen will only be realized if it is made from renewable sources like solar power so that it's not polluting. Maybe with more tests, BP will figure this out.

Fortune writer Cait Murphy: “If BP put its advertising where its money was, its ads would be featuring oil rigs in the Gulf of Mexico, where it will invest \$15 billion over the next ten years.” Asked its investment plans for solar energy, BP declined to give a concrete figure, indicating only that the goal was to make BP's solar division “economically viable.”

And more! BP forgot to include petrochemicals in this list. The company's annual production of over 27 million tons of petrochemicals and plastics brings in over \$13 billion each year.



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