Moving BP from rhetoric to action on capital discipline

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Executive summary

Under pressure due to consistent underperformance, BP used its 2025 Capital Markets Day to announce it had "fundamentally reset" its strategy, with the CEO pledging "comprehensive action to grow long-term shareholder value".[1] The company outlined a more "disciplined" approach to its low-carbon business, substantially reducing low-carbon capex to below USD 800 million per year, while simultaneously increasing upstream capex from USD 8.5 to USD 10 billion p.a and increasing exploration.[2]

The market reaction, along with a historic protest vote against outgoing chair Helge Lund, suggests shareholders are unconvinced that BP's "reset" addresses the root causes of its underperformance. Questions remain about how higher upstream and exploration capex can be squared with the company's stated commitment to growing shareholder value.

Our analysis shows that BP's recent upstream investments have provided limited value for shareholders. BP's high oil price assumptions increase the risk of sanctioning projects that could erode value. With exploration success rates declining and discovery costs rising, an increase in exploration capex appears to be an unlikely route to value.

We find that a change to BP's upstream strategy – in particular, tightening its investment framework and ceasing conventional exploration – offers a more credible path to the value that shareholders are asking for.

1. BP 2025 Capital Markets Update: Webcast Q&A transcript Wednesday, 26 February 2025, p.15 https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-cmd-2025-q-and-a-transcript.pdf.
2. BP 2025 Capital Markets Update: Group presentation slides and script Wednesday, 26 February 2025, pp. 15-16 and 23-24 https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-cmd-2025-presentation-slides.pdf.

Key findings

- BP’s total shareholder returns (TSR) have underperformed both the market and its peers over three, five, ten and 15 years.
- BP's $22 billion of conventional greenfield capex sanctioned over the last six years has created limited value for shareholders. The estimated net present value (NPV) of these projects is $0.9 billion under forward prices.
- The Tiber project, a $5 billion deepwater development in the United States sanctioned by BP in September 2025, is more expensive than 81% of competing oil supply that can reach Final Investment Decision (FID) before 2035.
- BP’s conventional pre-FID portfolio is not low on the cost curve. The company’s gas assets are, on average, more expensive than 76% of global pre-FID supply; and its oil assets are, on average, more expensive than 53% of global pre-FID supply.
- We modelled the impact of BP stopping exploration and the sanctioning of conventional projects, finding the company would be $11 billion more valuable and still be a major producer, with 400 million boe in 2050. This suggests BP is more valuable as a production company than as an exploration and production company.
- Globally, conventional exploration has been eroding value since the 1990s. BP's conventional exploration has become less successful, more expensive and less productive.
- BP’s investment framework risks misallocating capital into low value projects. Under BP’s price deck, and assuming no delays or cost overruns beyond Rystad’s estimates, the value of BP's conventional pre-FID portfolio is $6-8 billion. Under forward prices, and adjusting for typical cost and schedule slips, this same portfolio would be worth 80% less.

A consistent underperformer, BP needs to tighten its upstream capital discipline

- The energy sector has underperformed every other MSCI sector over 10 years
- BP has considerably underperformed the sector (and the market more broadly)
- BP's returns on equity, assets and capital underperform the sector
- If BP was serious about a disciplined approach to capital expenditure, it would extend that discipline to its upstream business (its largest source of capex)

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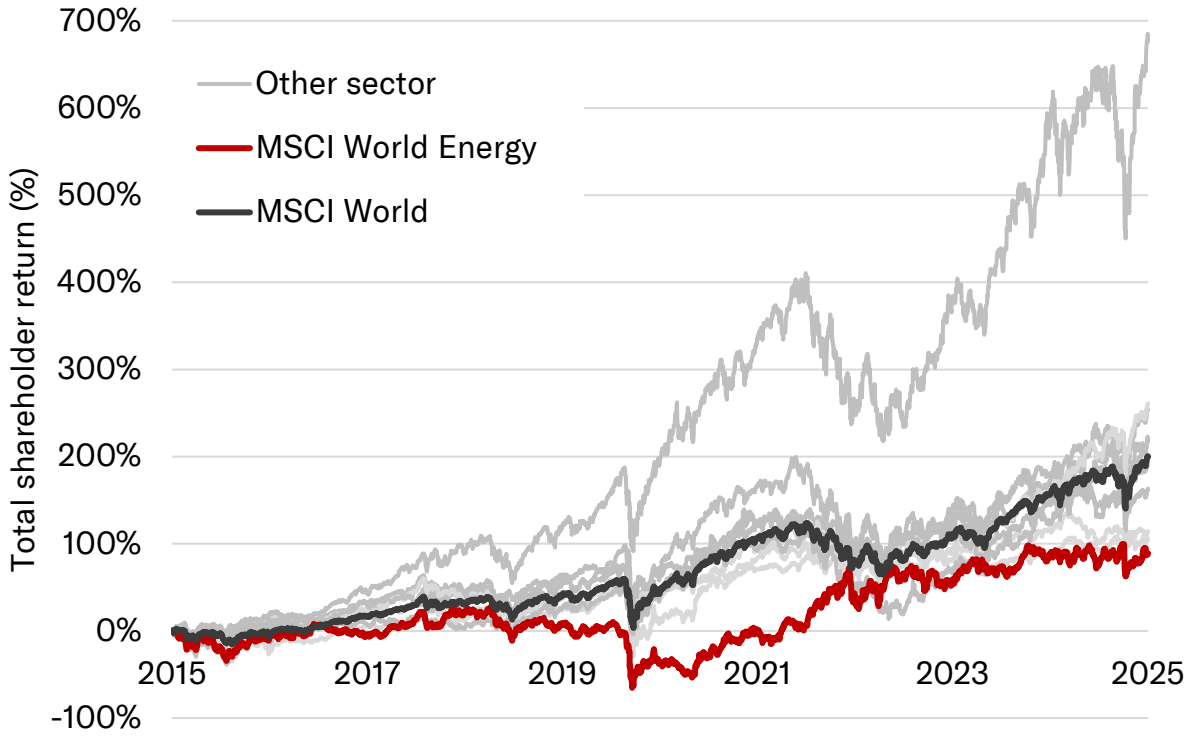
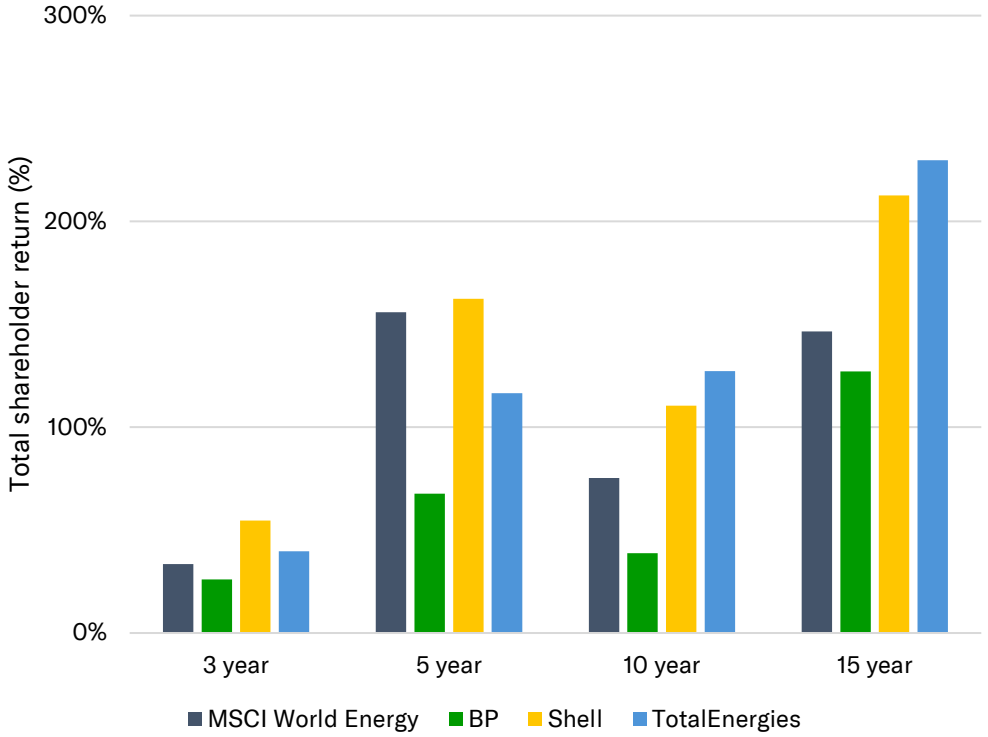
BP is a consistent underperformer, even in the worst performing sector

Energy has underperformed every other MSCI sector over 10 years[1, 2]



Source: Bloomberg Finance LP, Used with permission of Bloomberg Finance LP.

BP has delivered consistently lower returns than the sector and its European peers[1]

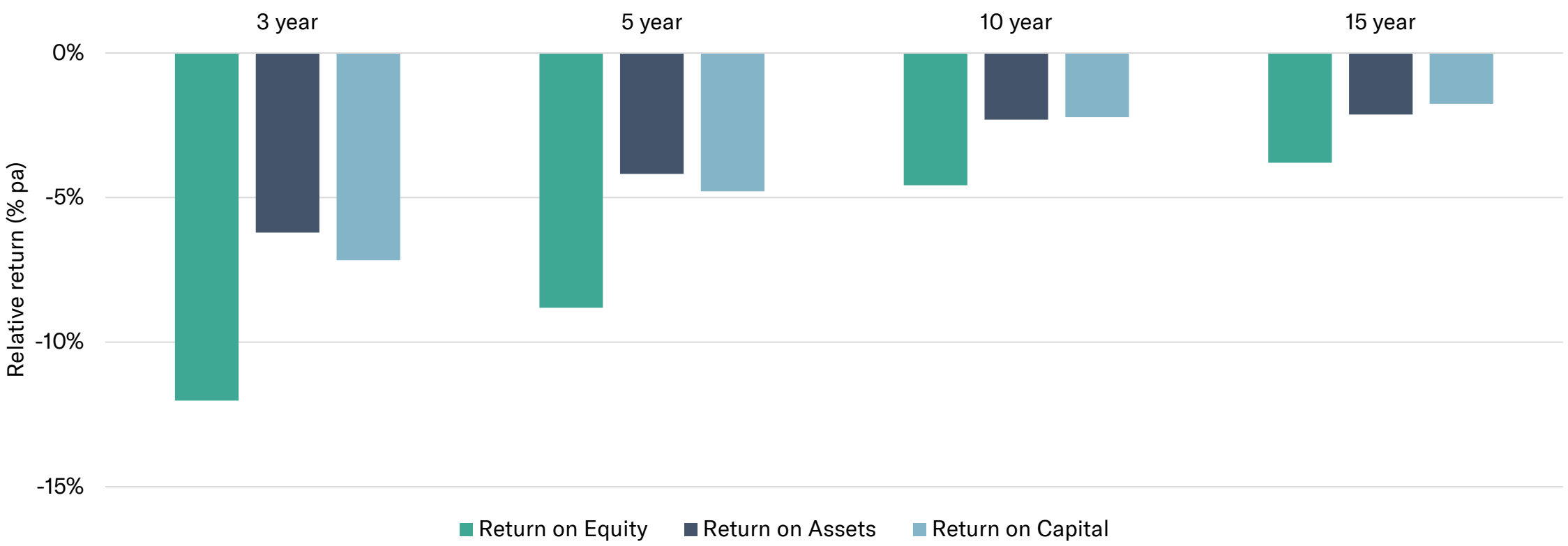


Source: Bloomberg Finance LP, Used with permission of Bloomberg Finance LP.

1. USD basis, all periods end on 30 June 2025. Over 15 and 20 years, the energy sector has underperformed every other sector, except for real estate.
2. Integrated O&G, and O&G exploration and production stocks, make up just over 70% of the MSCI World Energy index as of October 2025.

BP has underperformed its sector under multiple return metrics

BP has consistently delivered lower returns on equity, assets and capital relative to the energy sector[1]



Source: Bloomberg Finance LP, Used with permission of Bloomberg Finance LP.

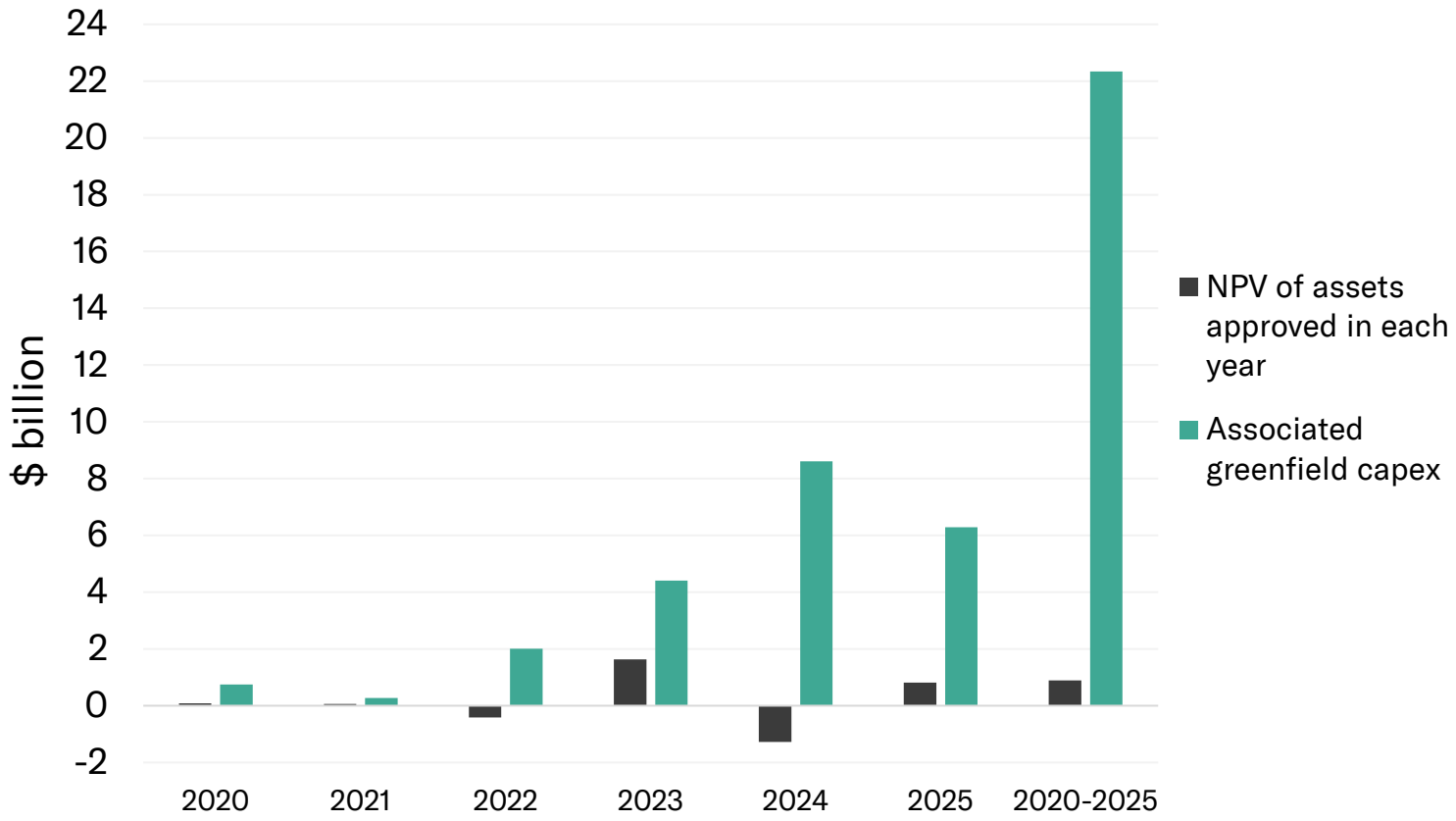
1. Values reflect BP's returns relative to the MSCI World Energy Index. US dollar basis and time periods end with the 2024 reporting period, using the simple average of annual returns.

BP's $22 billion of greenfield capex over the past six years has created limited value for shareholders

The conventional upstream projects that BP has sanctioned since 2020 have a net present value (NPV) of $0.9 billion.

Over this period, the company sanctioned $22 billion in greenfield capex.

BP's upstream conventional capex has produced limited shareholder value[1]

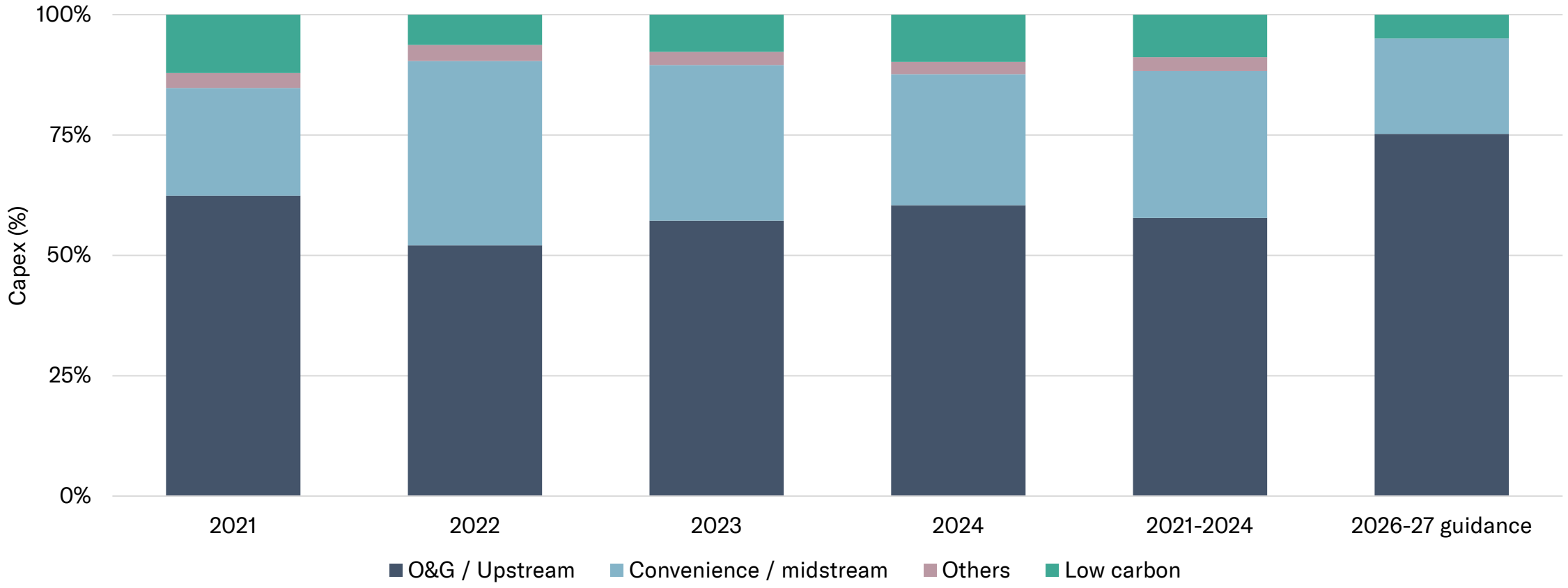


Source: ACCR analysis, based on Rystad Energy.

1. NPVs based on forward prices, Rystad cost and schedule.

BP needs more disciplined capital allocation in its upstream business

Already its largest area of investment, BP is increasing its upstream capex



Source: Company disclosures, Bloomberg Finance LP. Used with permission of Bloomberg Finance LP.

BP has little reason to be optimistic about returns from its exploration and pre-FID portfolio

- Conventional exploration, globally, has been eroding value since the 1990s
- BP's conventional exploration is becoming less successful and more expensive
- At its 2025 Capital Markets Day, BP said it is going to "reload the exploration hopper"
- BP continues to invest in projects high on the cost curve and its forward-looking portfolio is not at a competitive advantage

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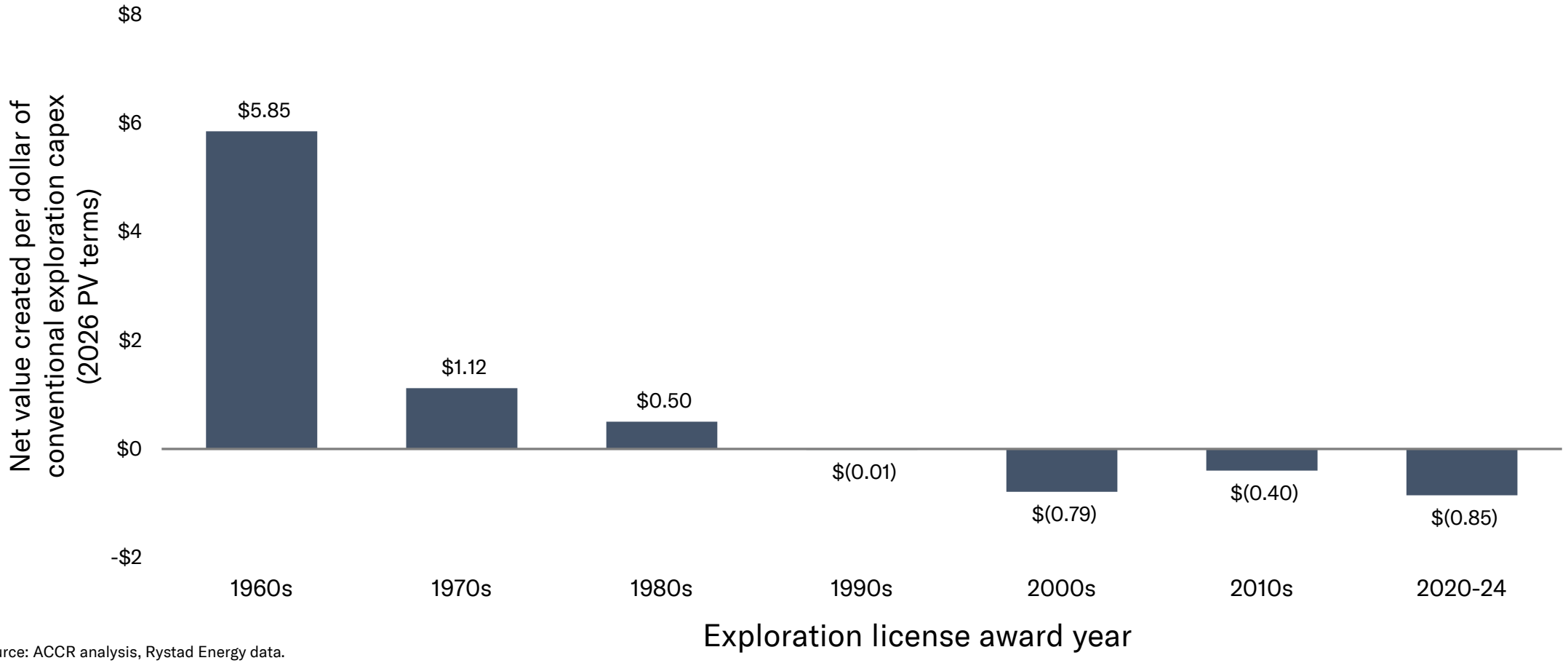
On average, every dollar spent on global conventional exploration since 2000 has destroyed 71 cents[1]

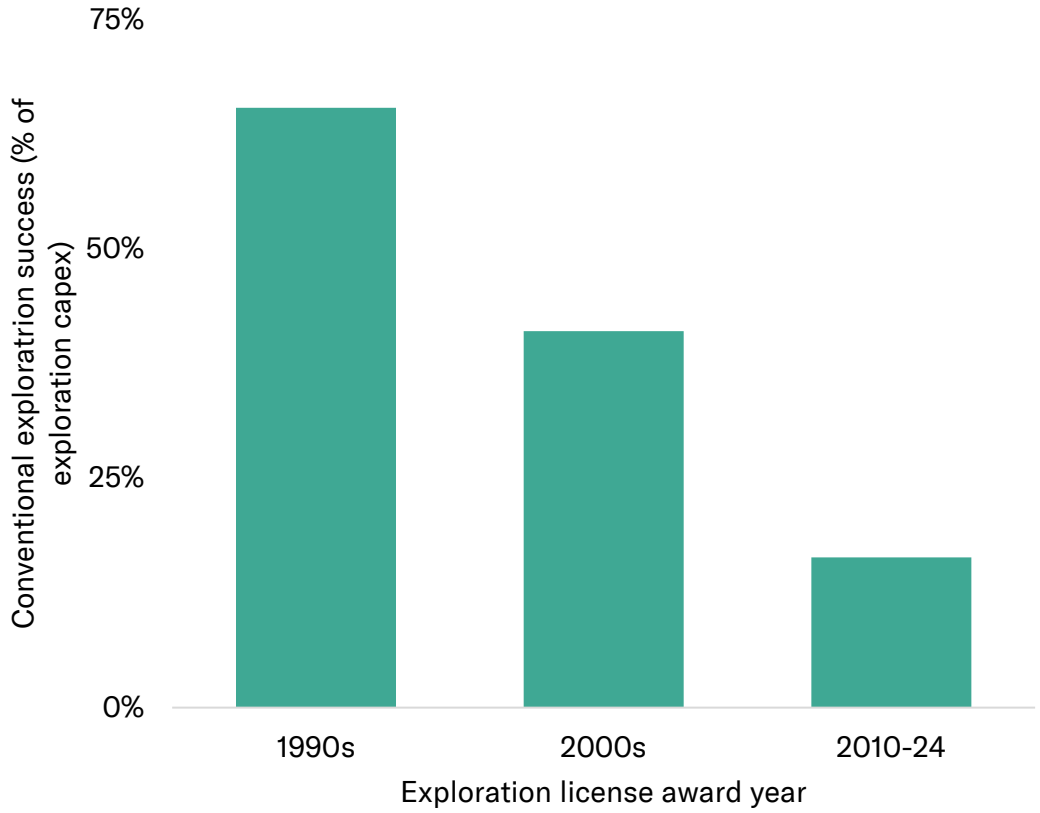


Source: ACCR analysis, Rystad Energy data.

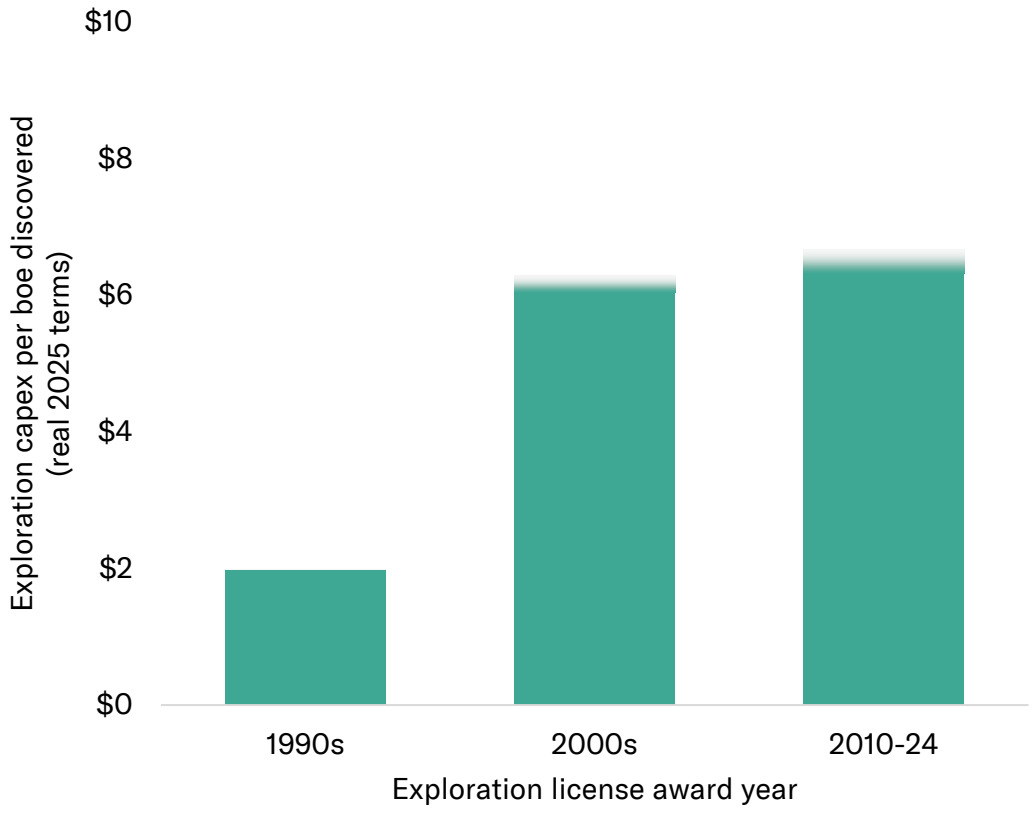
1. Calculated as the NPV of projects from FID, divided by the NPV of exploration expenses. Historic costs discounted at 10%. Future costs discounted at 10% plus country risk.

BP's conventional exploration has become less successful and more expensive over time

BP's conventional exploration success rates have halved for licenses awarded since 2010[1, 2]



BP's discovery costs are increasing[1, 2]



Source: ACCR analysis, Rystad Energy data.

1. Values included modelled future costs and discoveries. Discoveries are calculated as total production.
2. The range is based on forecast exploration capex and discoveries relative to outcomes to date. The 2020s are included with the 2010s due to the uncertainty of future modelled exploration costs and discoveries.

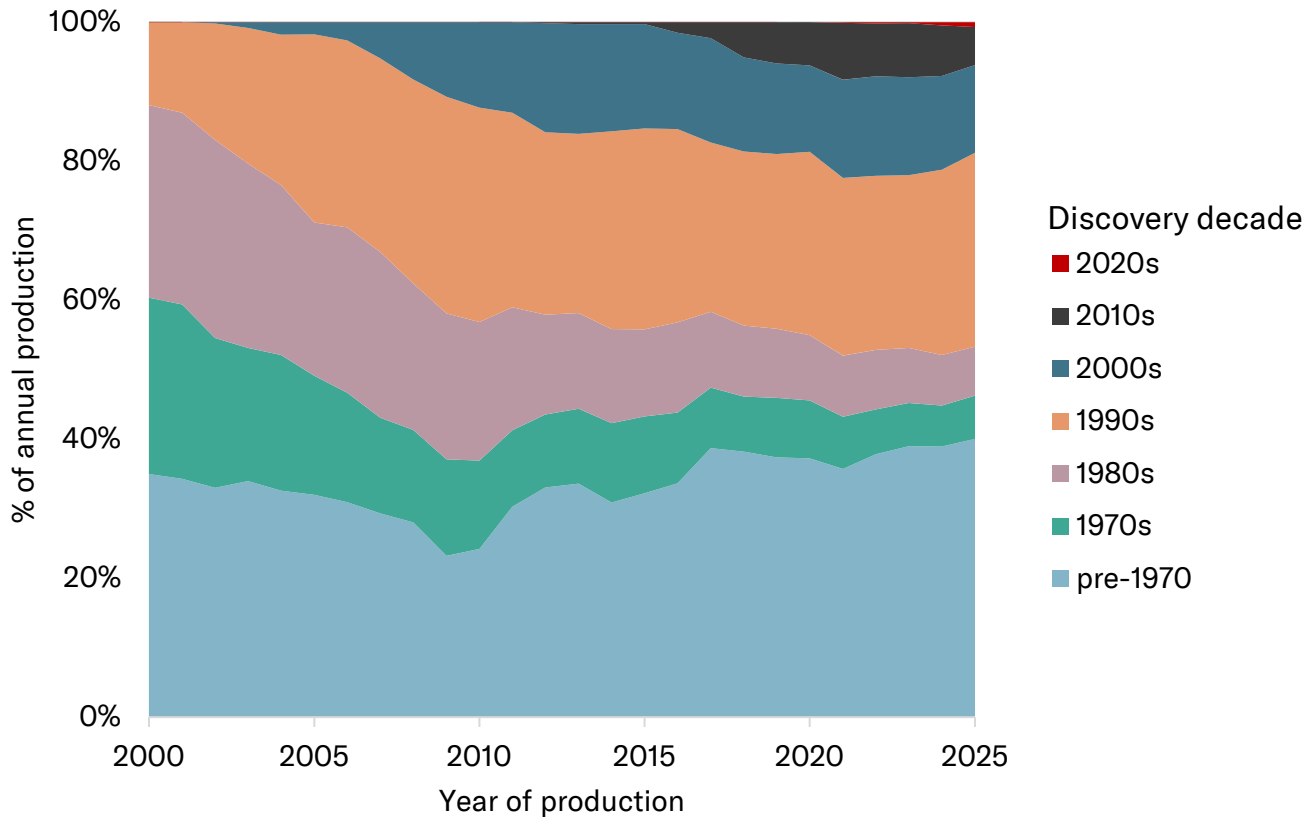
BP's new discoveries are not delivering volumes that come close to past discoveries, even with increasing exploration expenditure

Since 2000, discoveries only account for 20% of current production.

Each decade after the 1990s has delivered an even smaller proportion of production volumes than the last.

This is despite BP spending two-to-three times more on conventional exploration in the 2000s and 2010s than it did in the 1990s.

80% of BP's current production was discovered before 2000



Source: ACCR analysis, Rystad Energy data.

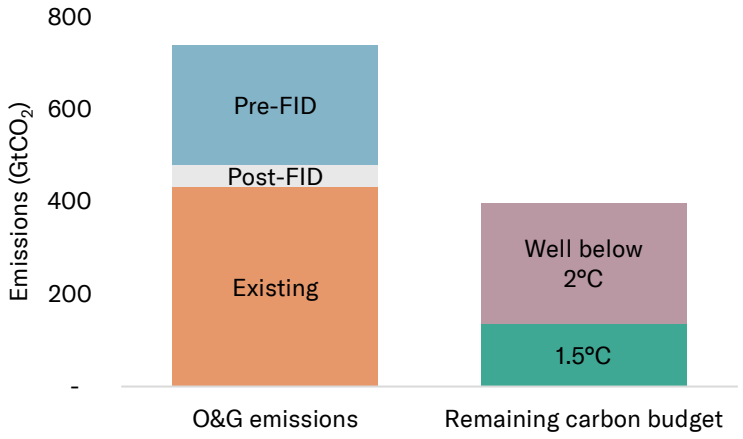
BP’s conventional growth portfolio is not at a competitive advantage or Paris-aligned

When assessed against assets that could make FID before 2035, BP’s conventional:[1]

- oil assets are, on average, more expensive than 53% of global pre-FID supply
- gas assets are, on average, more expensive than 76% of global pre-FID supply.

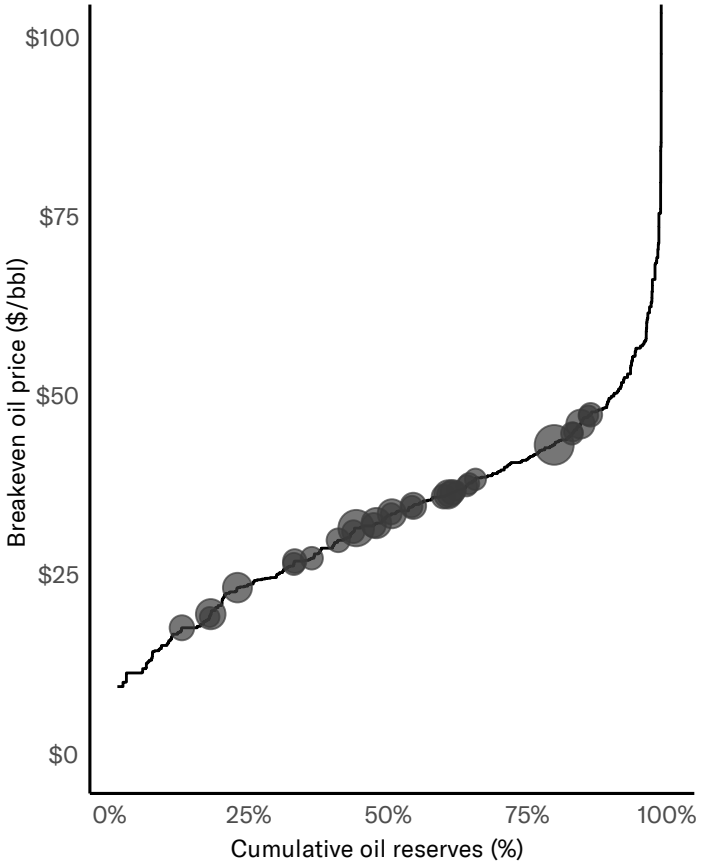
Pre-FID oil and gas projects are not aligned with the goals of the Paris agreement.

The remaining well below 2°C carbon budget[2] will be consumed by existing global O&G projects

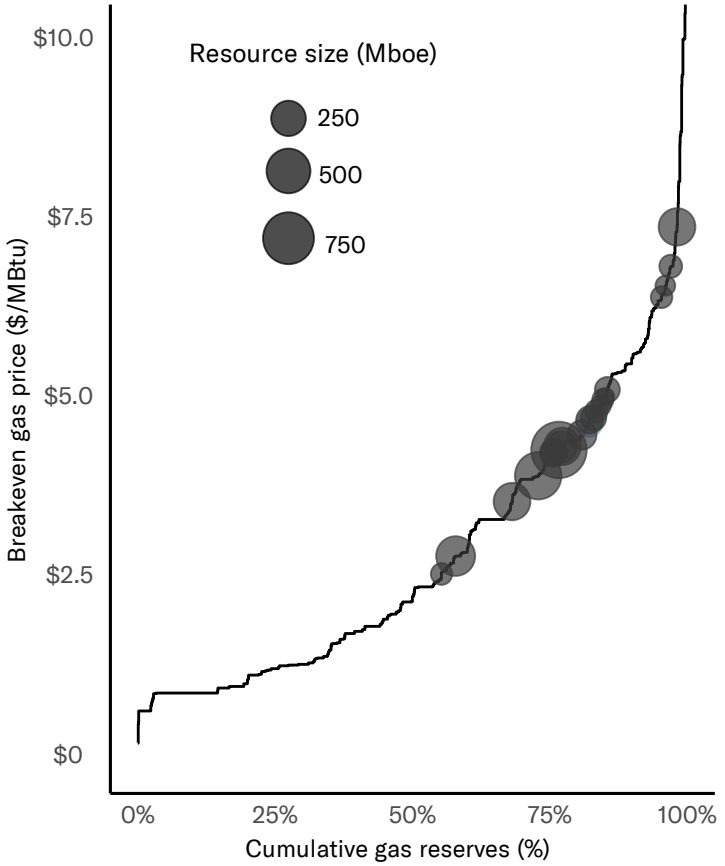


Source: ACCR analysis, Rystad Energy data.

BP's oil portfolio does not have a cost advantage[1]



BP’s gas portfolio is high on the cost curve[1]



Source: ACCR analysis, Rystad Energy data and company disclosures.

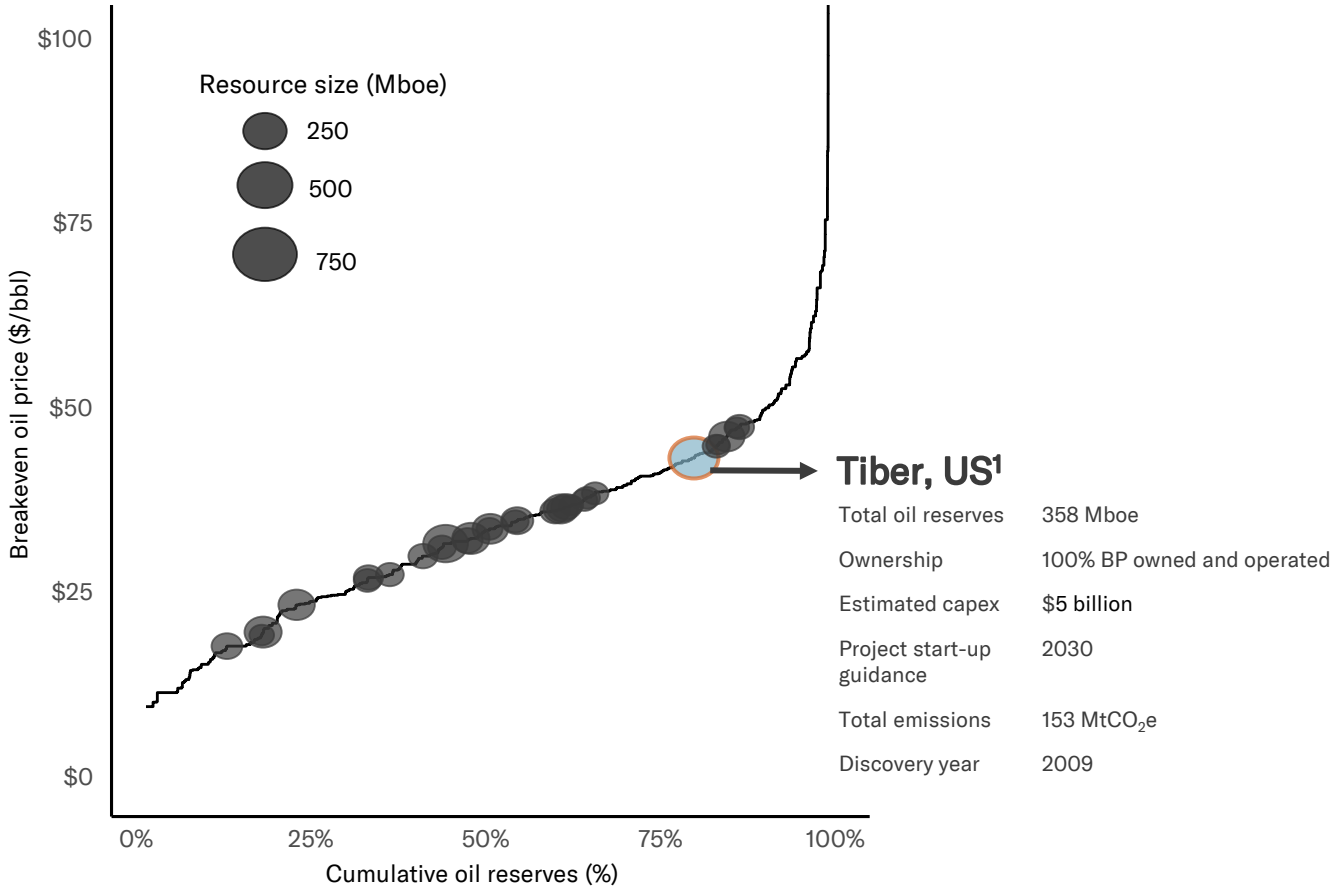
1. Only includes assets with cumulative oil and gas resources greater than 30 Mboe.
2. Forster, P.M. et al., Indicators of Global Climate Change 2024: annual update of key indicators of the state of the climate system and human influence, Earth Syst. Sci. Data, 17, 2641–2680 (2025). https://essd.copernicus.org/articles/17/2641/2025/. The remaining carbon budget shown is relative to the start of 2026, subtracting the projected emissions for 2025 (42.2 Gt CO2, Global Carbon Budget 2025. https://globalcarbonbudget.org/). The Remaining 1.5°C Carbon Budget estimate (50% likelihood) and the Remaining 2°C Carbon Budget estimate (90% likelihood) are from Forster et al. (2025) table S8. Limiting warming to 2°C with 90% likelihood is defined as "well-below 2°C" by Schleussner, C.F. et al. 2022. https://www.nature.com/articles/s43247-022-00467-w

BP's recent $5 billion Tiber project is more expensive than 81% of competing oil supply

BP's FID on the Tiber project in September 2025 represents:

- a $5 billion commitment in a deepwater development in the United States
- an investment more expensive than 81% of oil supply that can reach FID this decade
- the approval of BP's largest pre-FID project that year
- a development with a 21-year gap from discovery (2009) to start-up (2030), assuming no further delays.

Tiber sits on the 81st cost percentile relative to other projects that can reach FID in the next decade[2]



Source: ACCR analysis, Rystad Energy data and company disclosures.

1. BP, bp approves Tiber-Guadalupe project in the US Gulf of America (press release), 29 September 2025.
2. Only includes assets with cumulative oil and gas resources greater than 30 Mboe.

A changed upstream strategy could create material value at BP

- BP could be $11 billion more valuable if it stopped exploration and development relating to conventional oil and gas projects, and focused on production only
- If BP continues to sanction pre-FID projects, a more disciplined approach would include the use of:
  - market-based oil and gas forecast prices
  - project execution assumptions reflective of historic norms for project delays and cost overruns
  - hurdle rates high enough to ensure that its investments are the highest value use of capital

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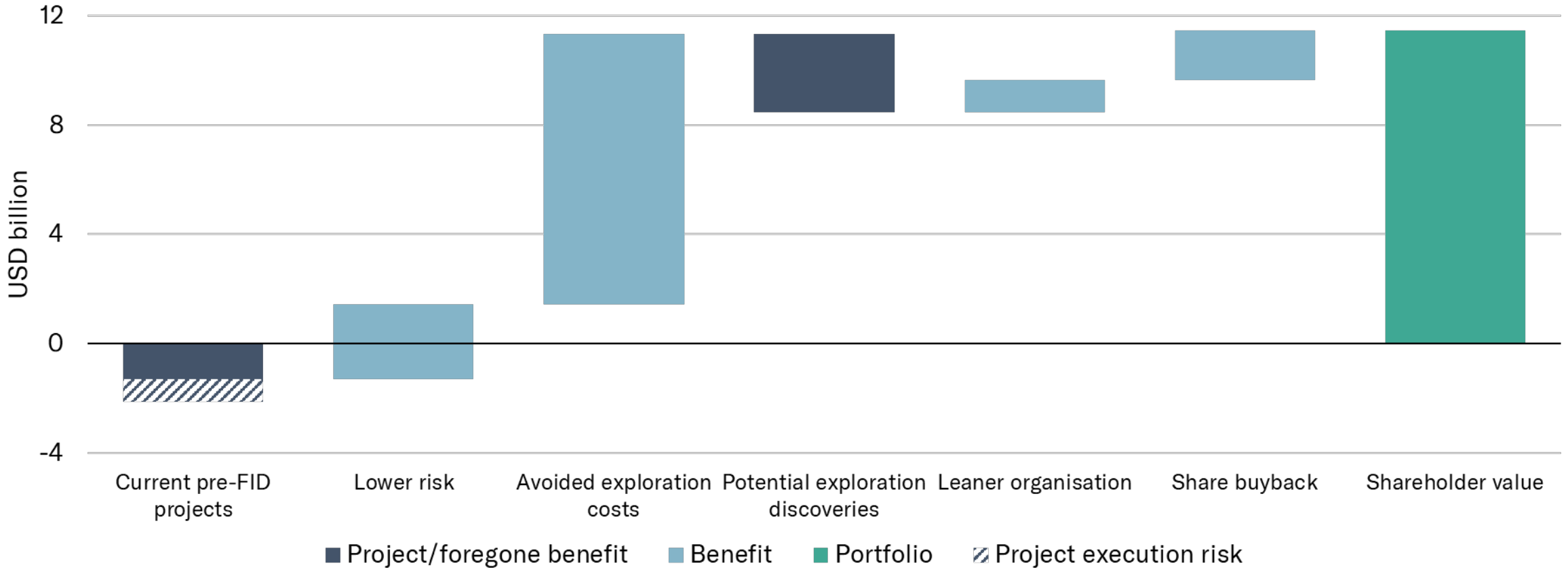
BP would be more valuable as a production company only, rather than an exploration and production company[1]

BP could be $11 billion more valuable if it stopped exploring for, and building conventional projects[1]



Source: ACCR analysis, Rystad Energy, Bloomberg and Damodaron data, and company disclosures.

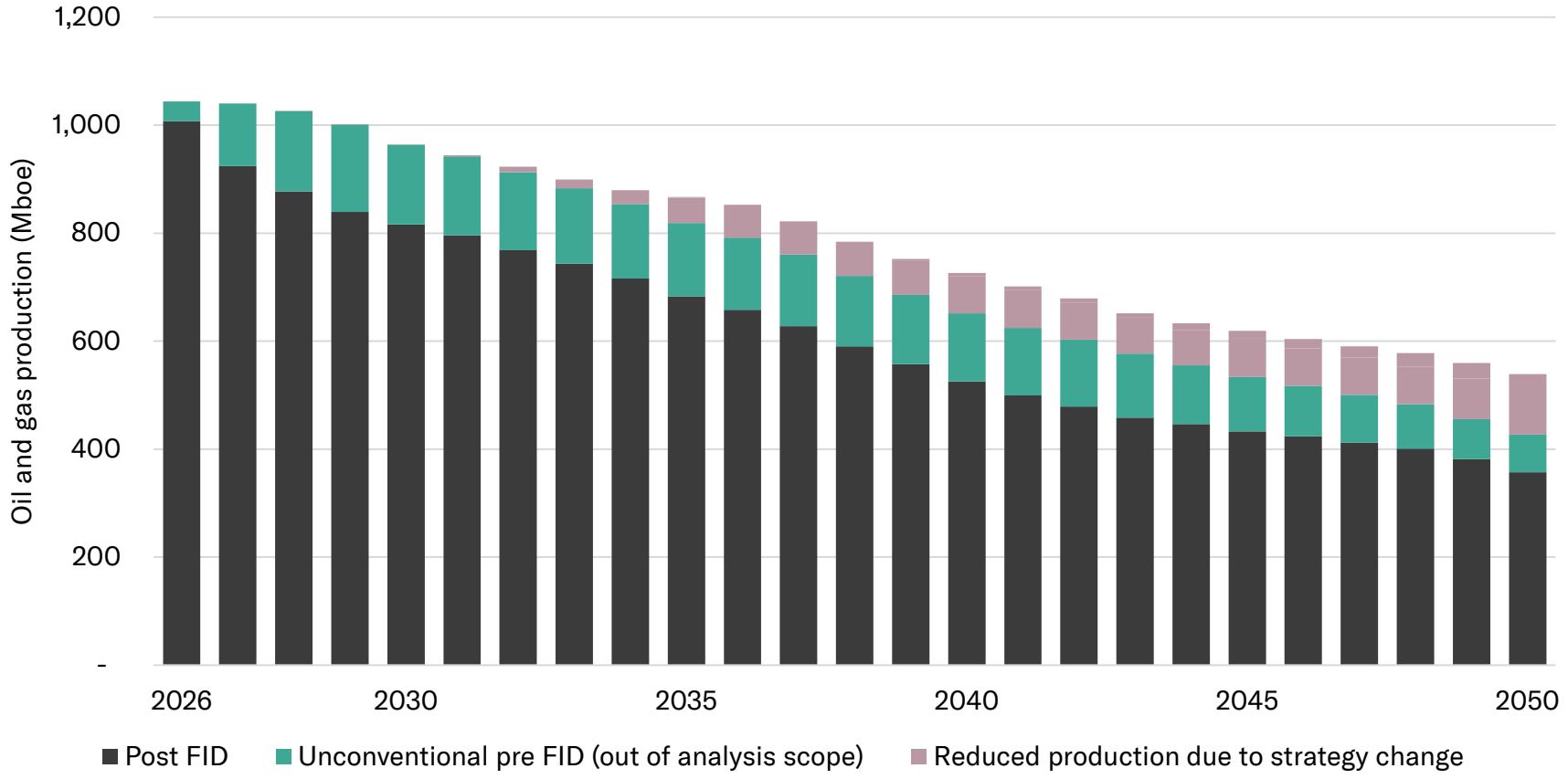
1. The model's assumptions, a high price sensitivity and the results for other companies are in Appendix 1.

BP would still produce 400 million boe in 2050 without any new conventional projects

Ceasing conventional investments would reduce BP's oil and gas production between 2026 and 2050 by 7% relative to a BAU strategy.

It would still produce 400 million boe in 2050.

Ceasing conventional developments would reduce BP's production to 2050 by 7%[1]



Source: ACCR analysis, Rystad Energy data.

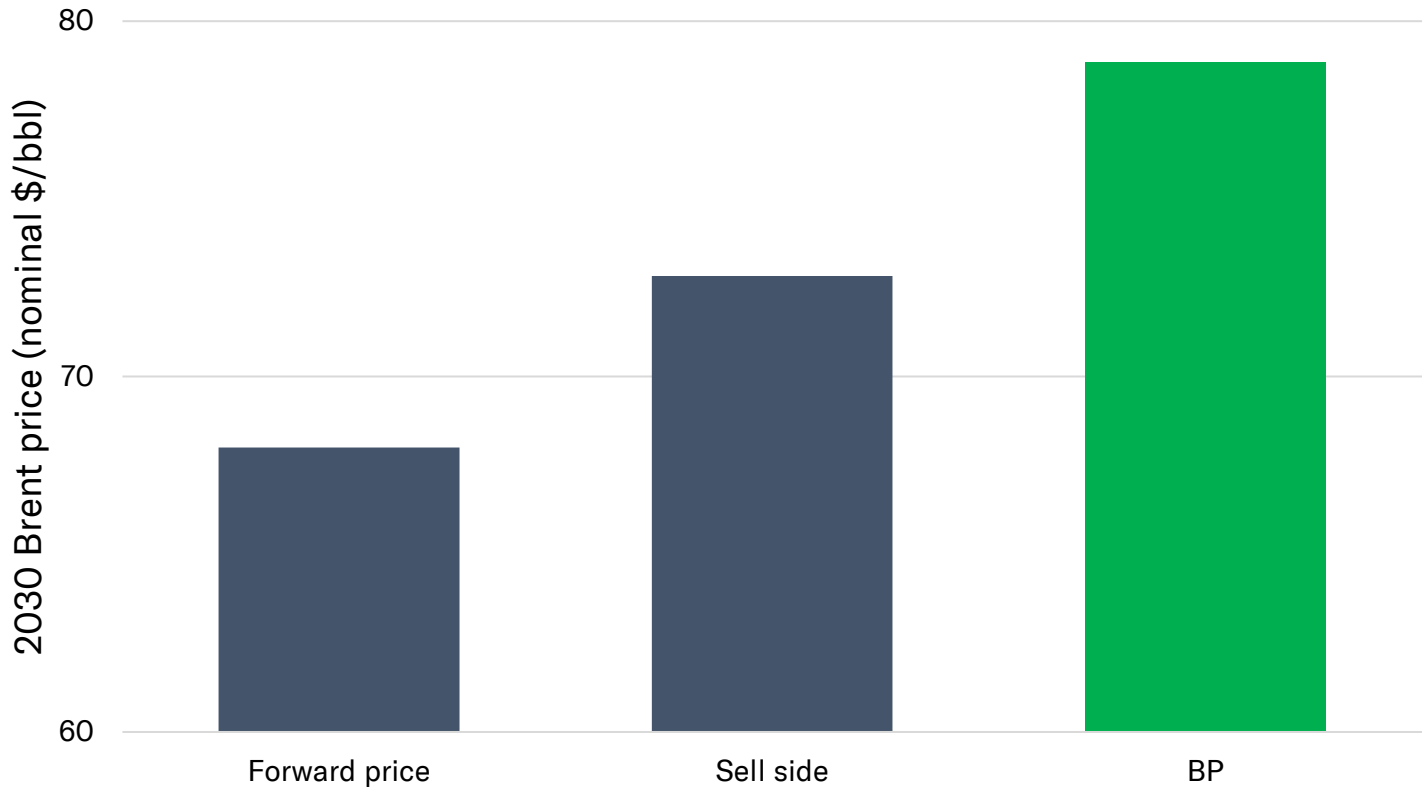
1. Based on Rystad's forward case, excludes production that we assume would not meet BP's investment criteria.

BP's high oil price assumptions increase the risk of investing in projects that erode value

BP's Brent price assumptions will overstate their oil projects' revenue by 16% relative to forward market price conditions, or 8% above analyst estimates.[1]

This could lead to a misallocation of capital into projects that do not meet BP's expected return profile under forward conditions.

BP's oil price assumption is 16% above forward markets and 8% above sell-side estimates[1]



Source: Company disclosures, Bloomberg.

1. Sell-side estimate based on average price for 2028 which is the latest data available, converted to nominal 2030 dollars using 2% p.a inflation.

Oil and gas projects are, on average, delivered late and over budget

BP does not systematically disclose its project execution performance, but research shows that poor project execution is a feature of the oil and gas sector.

Professor Bent Flyvbjerg study

Oil and gas megaprojects are an average of **34% over budget**. 19% exceed budgets by more than 50%.[1]

EY

Assessed oil and gas projects were, on average, **59% over budget**. 64% of projects faced cost overruns and 73% reported schedule delays.[2]

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Eight Australian LNG projects that reached FID between 2007 and 2012 were all delivered late and, on average, **35% over budget.**[3]

Independent Project Analysis (IPA)

Only 22% of assessed oil and gas megaprojects could "reasonably be called successful". The remaining projects had an **average of 33% cost overrun and 30% schedule slip.**[4]

Bain & Company

From 2015 to 2019, upstream and midstream oil and gas projects were an average of **2.5 years late and 17% over budget.**[5]

1. Flyvbjerg and Gardner, How Big Things Get Done, 2023, p. 216. See Appendix 2 to compare to other sectors.
2. EY, Spotlight On Oil and Gas Megaprojects, 2014 pp. 4, 6
3. ACCR, Australia's LNG growth wave – did it wash for shareholders, 2023 p. 20
4. Merrow, Oil and Gas Industry Megaprojects: Our Recent Track Record, 2012 p. 38
5. Bain & Company, Energy Transition: Delivering Capital Projects on Time and on Budget, 2023

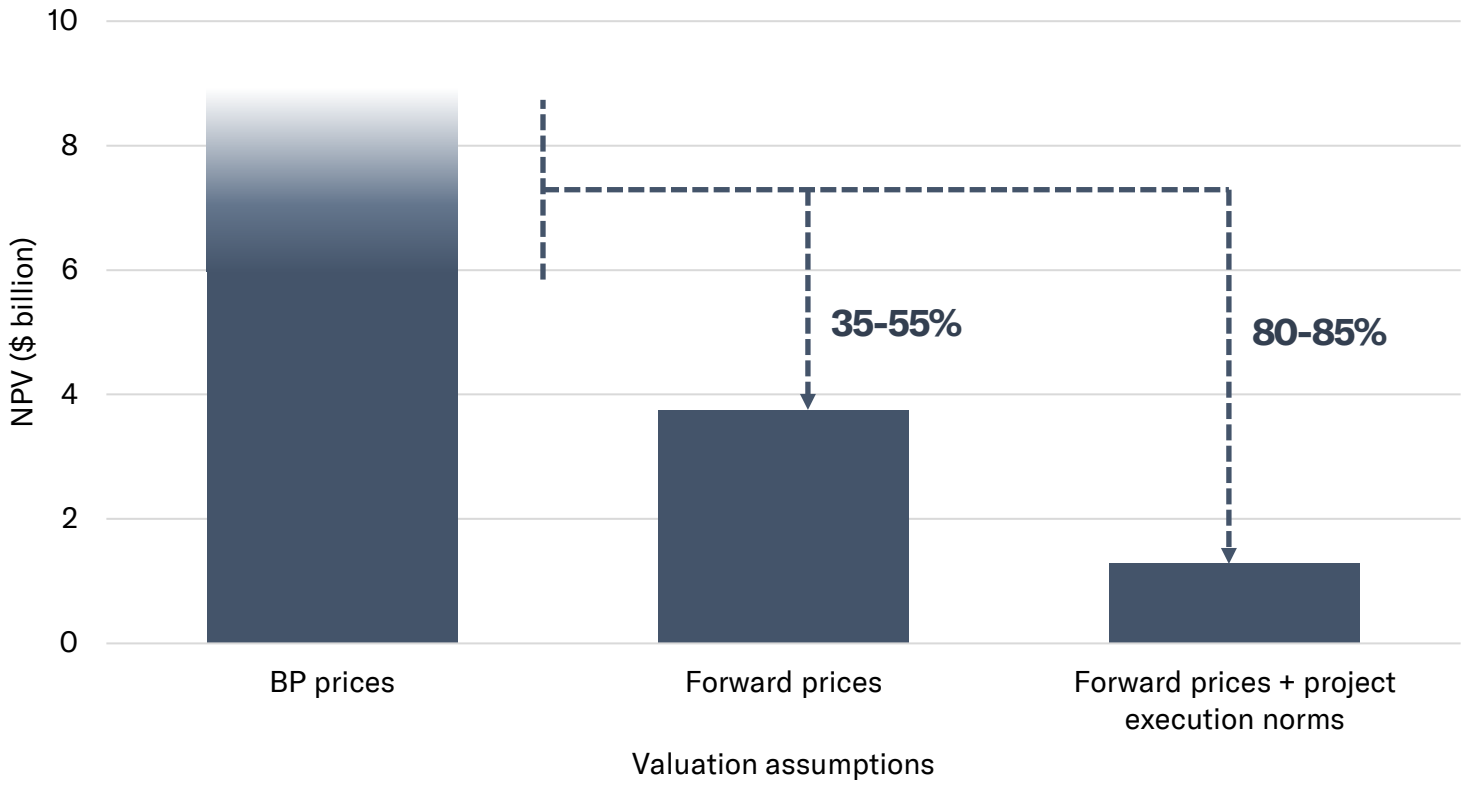
The use of market-based forward prices and realistic project execution norms would address the potential for overstatement of the value of BP's pre-FID portfolio

We found that the apparent value of BP's conventional pre-FID portfolio[1] decreases significantly (80-85%) when:

- adjusting from BP's price deck[1] to a forward price deck
- applying project execution norms.[2]

All chart columns represent the potential value of BP's 263 pre-FID conventional projects that could make FID between 2026 and 2035.

Applying forward prices and project execution norms could reduce the apparent value of BP's portfolio by 80-85% when assessed using BP's stated 15% IRR hurdle



Source: ACCR analysis, Rystad Energy data and company disclosures.

1. The NPV under BP's price assumptions is uncertain because BP only discloses Henry Hub and Brent price assumptions, which we have extrapolated to the 28 different price strips that Rystad's tools use.
2. "Project execution norms" refers to projects being one-year late and 20% over budget, relative to Rystad's cost and schedule assumptions.

More optimistic project assumptions require a higher hurdle rate

Capital discipline is often framed through the lens of hurdle rates, with the idea that higher hurdles drive discipline.

But project assumptions also have a strong impact on which projects meet screening criteria. Project assumptions more directly quantify outcomes and risk than hurdle rates, so are arguably more important when screening projects.

For example, BP is expecting to generate a 20% IRR for its upcoming major projects.

If a typical pre-FID project generates a 20% IRR under forward price assumptions, a 20% cost exceedance and one-year delay (relative to Rystad cost and schedule estimates), the chart implies it would generate a 34% IRR when using BP's price deck and assuming no cost or schedule delay (dotted red lines on chart).

The relationship between IRRs under different project assumptions for BP's pre-FID conventional portfolio

Source: ACCR analysis, Rystad Energy data.

A more prudent upstream strategy could see BP reduce greenfield capex by 40%

When assessed against an indicative 20% IRR hurdle rate,[1] forward pricing, and applying project execution norms,[2] BP's conventional pre-FID portfolio:

- is 90% subsea tiebacks
- includes $7 billion of capex to 2050
- has a net present value (NPV) of 0.9% of its market capitalisation

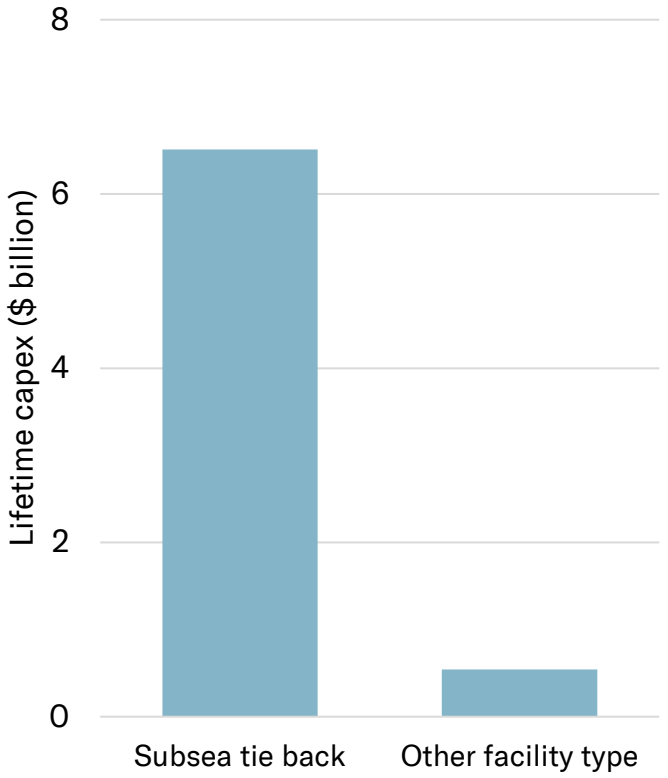
This is 40% less conventional greenfield capex than BP would spend if it screened projects using its price deck and Rystad cost and schedule estimates.

Why the bias to subsea tiebacks?

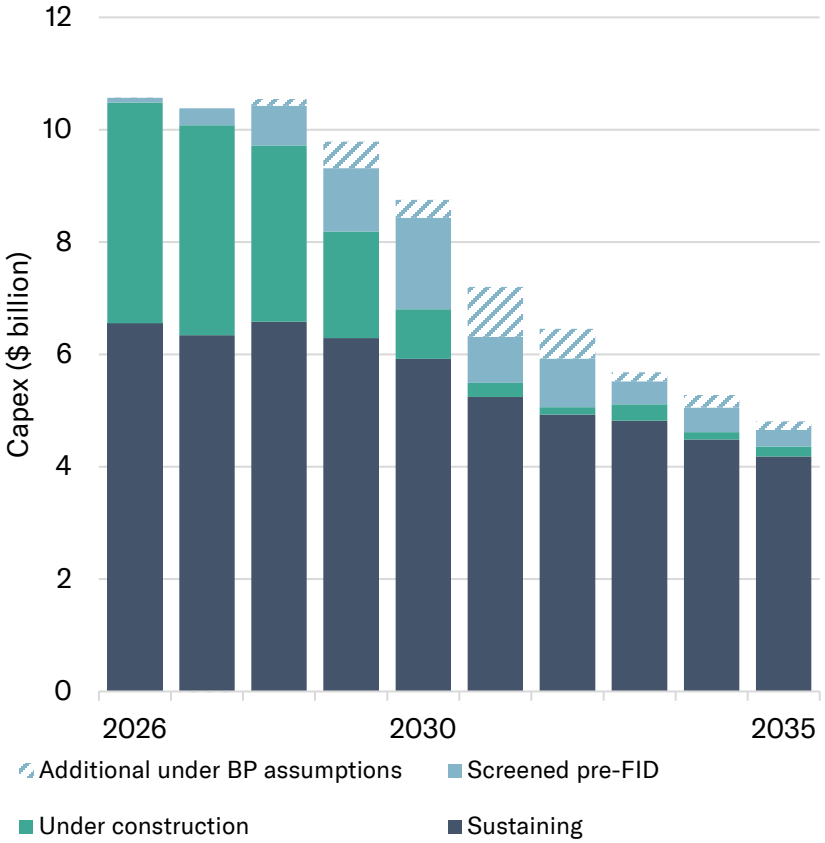
Subsea tiebacks normally have lower exploration costs, leverage sunk capital and often have a shorter construction period.

Subsea tiebacks may nevertheless not be aligned with the goals of the Paris Agreement.

BP's resulting conventional pre-FID projects are almost exclusively subsea tiebacks



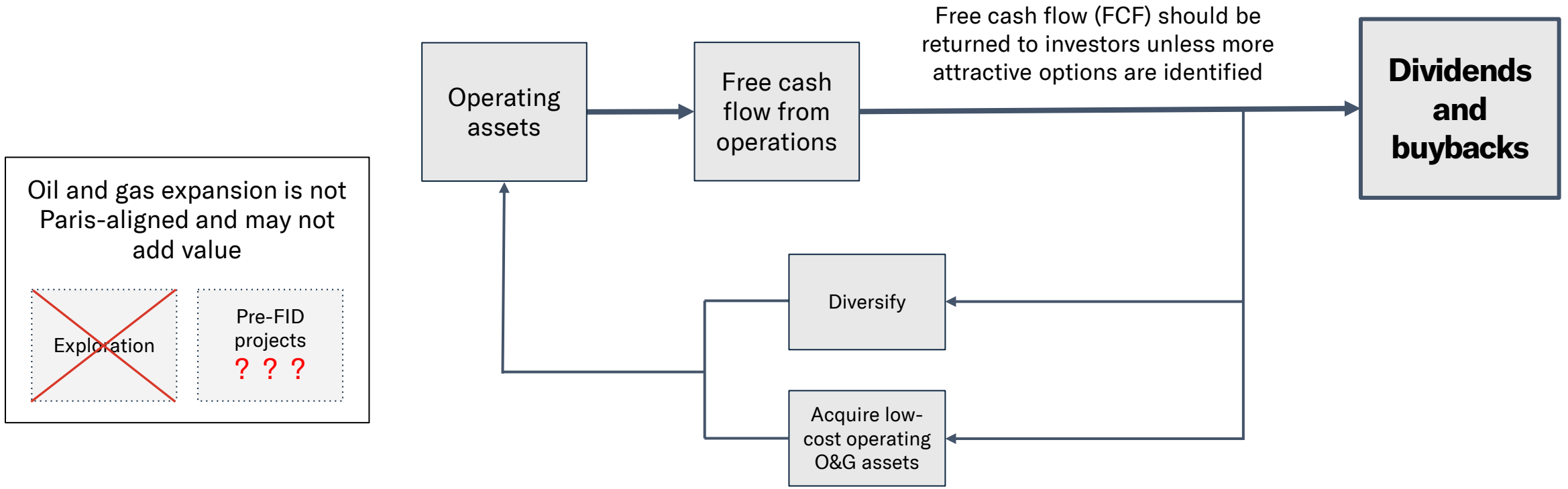
Resulting conventional pre-FID projects represent ~5% of BP's capex



Source: ACCR analysis, Rystad Energy data and company disclosures.

1. A 20% IRR is indicative of a risk-adjusted hurdle rate, rather than an ACCR recommendation. Analysis excludes pre-FID projects that Rystad forecasts would make FID after 2035.
2. "Project execution norms" refers to projects being one-year late and 20% over budget, relative to Rystad's cost and schedule assumptions.

BP's most valuable use of cash may be share buybacks



Appendix 1: Enhanced capital returns – the model

Stopping exploration and the sanctioning of pre-FID conventional projects creates value throughout the business

Avoided project execution risks

Oil and gas projects are typically late and over budget

Lower risk

A company building fewer projects is simpler and less risky

Avoided exploration

Exploration is costly and a major destroyer of value.

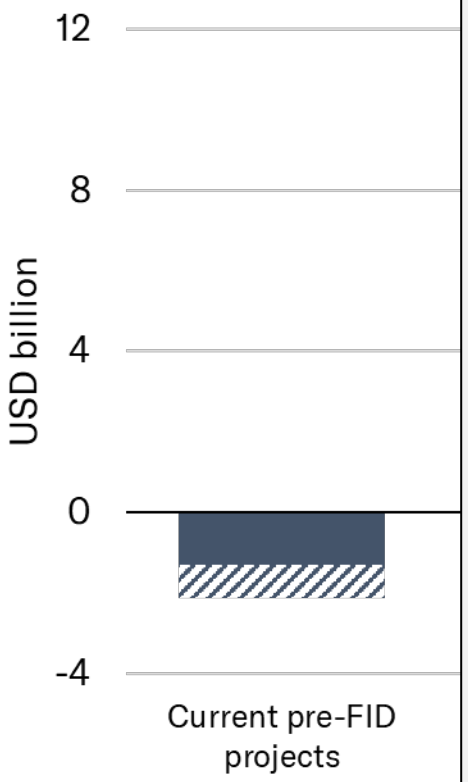
Leaner organisation

A simpler business has lower corporate overheads

Potential for increased buybacks

Buybacks can be funded from cost savings

Is a *production* company more valuable than an *exploration and production* company?



If a company stops building conventional new projects, it forgoes the potential value of these projects.

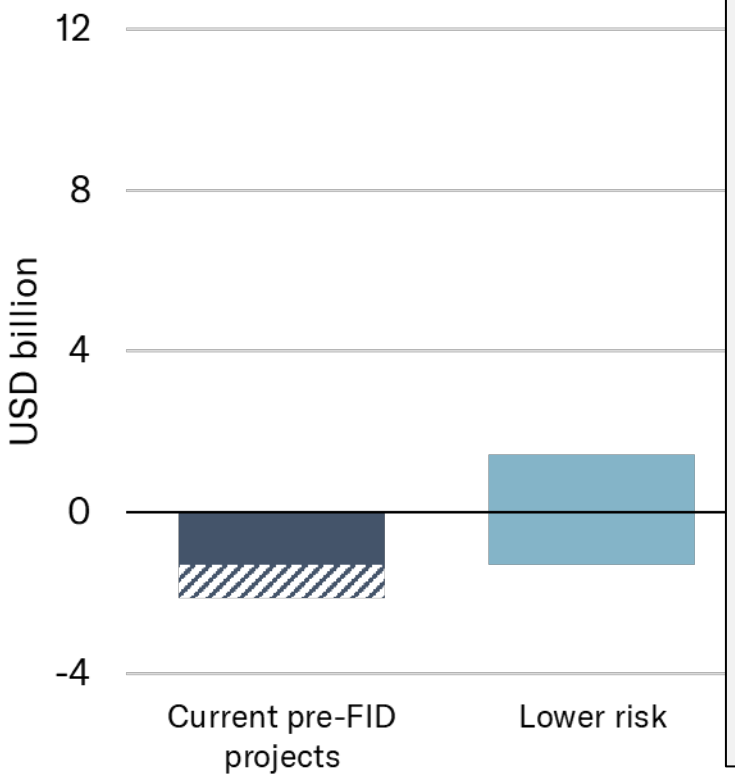
For projects that would have reached FID by 2035, we assume:

- revenue based on Rystad's forward price deck
- Rystad cost, schedule and production profiles
- a discount rate of 10% plus country risk
- that companies would only have invested in assets that meet these screening criteria:
  - Rystad's commerciality criteria (VIR > 1.1) at forward prices
  - Disclosed company investment criteria (for Woodside, BP and Shell)
  - 15% IRR at forward prices where no investment criteria disclosed (all other companies)
  - NPV > 0 under forward prices, one-year delay and 20% capex overrun
- unconventional assets are excluded from the scope because they more closely reflect an incremental "manufacturing" business model than a major conventional greenfield project.

The shaded component represents the reduced value of projects being one-year late and 20% over budget, relative to Rystad estimates.

Unconventional projects, projects that don't meet the screening criteria and projects that would reach FID after 2035 are excluded from the analysis.

Is a *production* company more valuable than an *exploration and production* company?



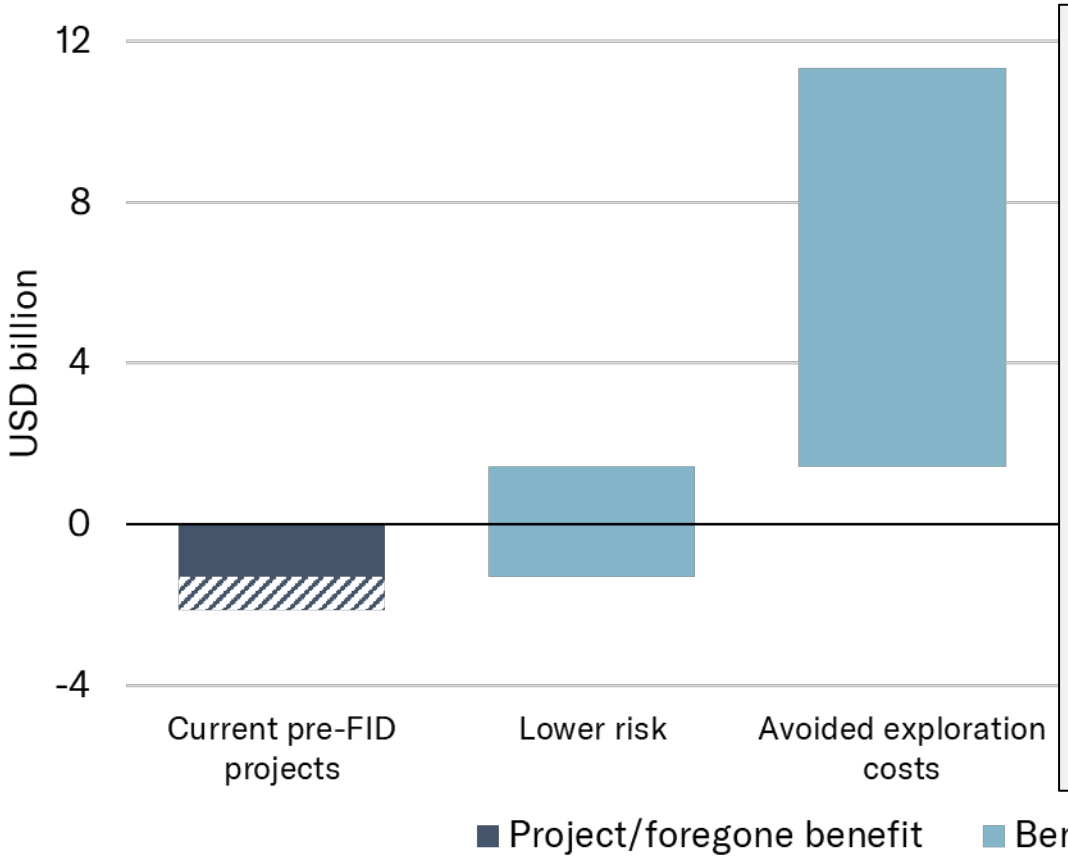
A company that doesn't build upstream projects is simpler, lower cost and lower risk.

We model this benefit by applying a 1% lower discount rate to operating and under construction upstream oil and gas projects on cash flows until 2035.

We do not model any benefit to other parts of the business such as refining, marketing or unconventional projects; or benefits after 2035.

Project/foregone benefit Benefit Portfolio Project execution risk

Is a *production* company more valuable than an *exploration and production* company?

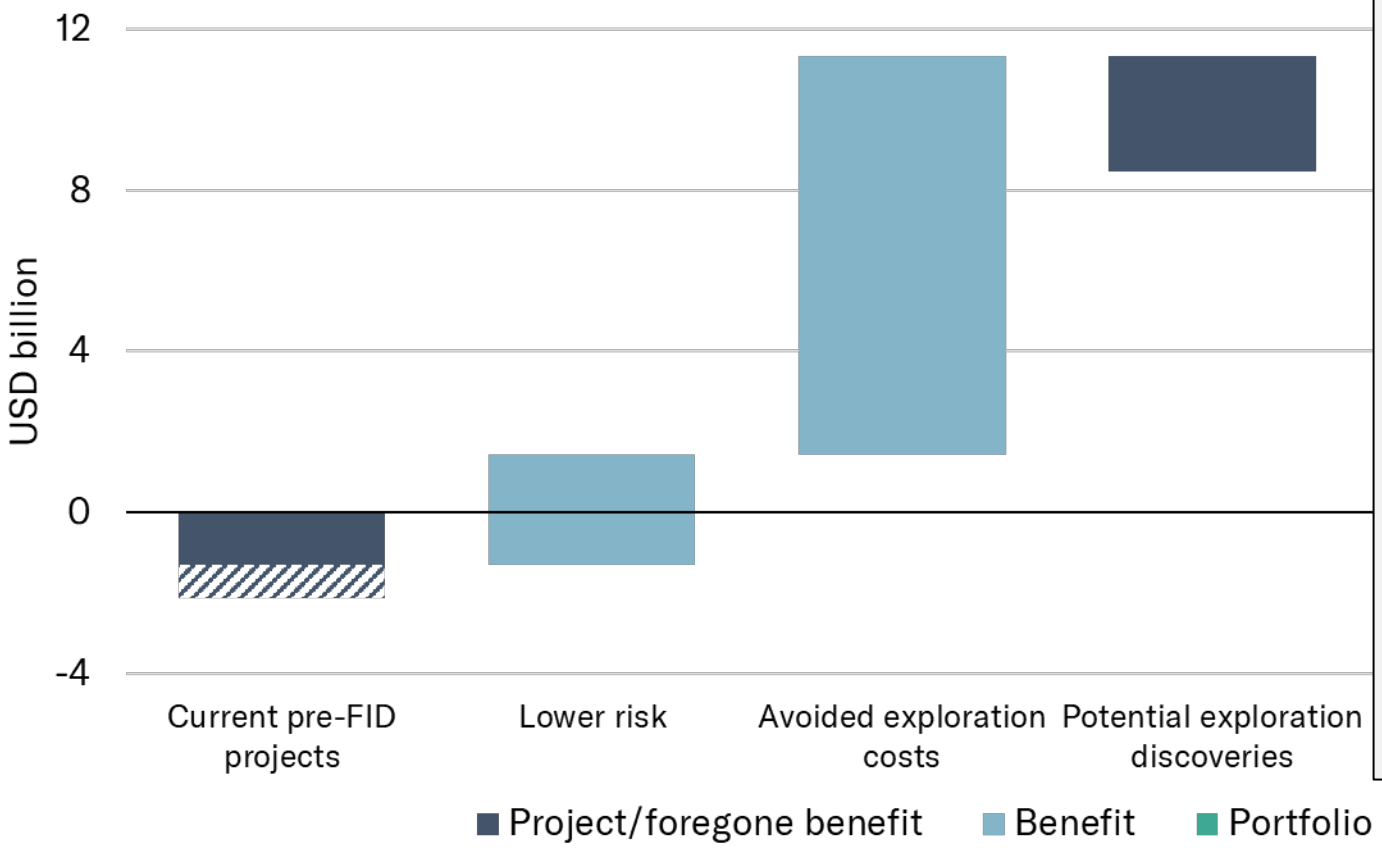


If a company stops developing conventional projects, it can stop exploring in conventional acreage.

We assume that the company ceases exploration in conventional assets.

We capitalise avoided costs using a post-tax earnings multiple of 6x the average real exploration costs for the company over the last decade.

Is a *production* company more valuable than an *exploration and production* company?

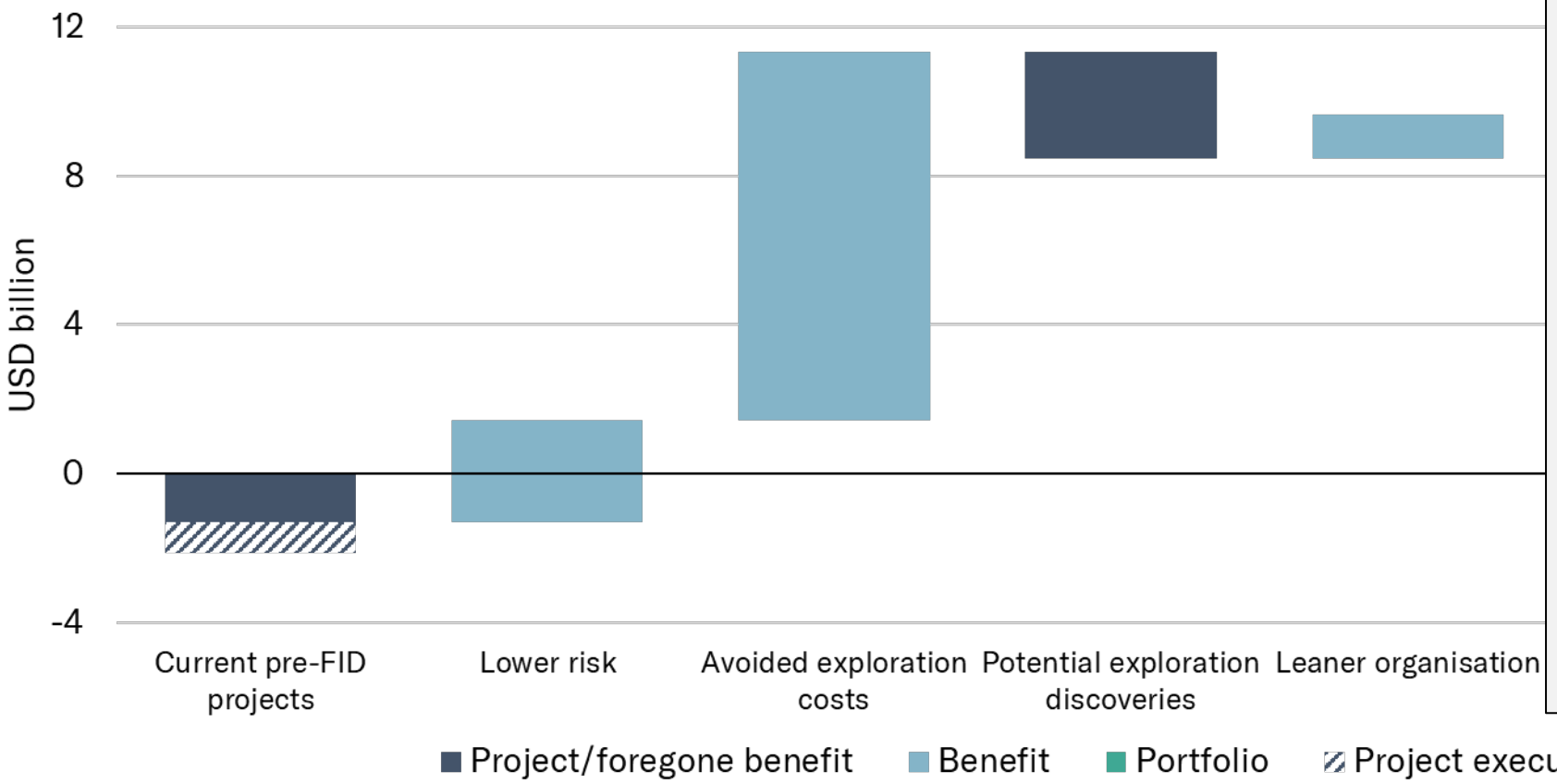


The company foregoes the value associated with exploration success.

We calculate the value of these as 29% of the capitalised cost of the exploration.

29% is the average exploration outcome since 2000, calculated as the ratio of the value of discoveries to exploration costs, applying a 10% discount to all historic cash flows and a 10% plus country risk discount to all future cash flows.

Is a *production* company more valuable than an *exploration and production* company?



If a company is not going to develop new conventional projects, it needs fewer staff

We assume:

- a 10% reduction in upstream staff levels beyond those already included in exploration and conventional investments
- that staff cost $150k p.a and receive a one-year redundancy payment.

We capitalise avoided costs at a post-tax earnings multiple of 6x the annual salary.

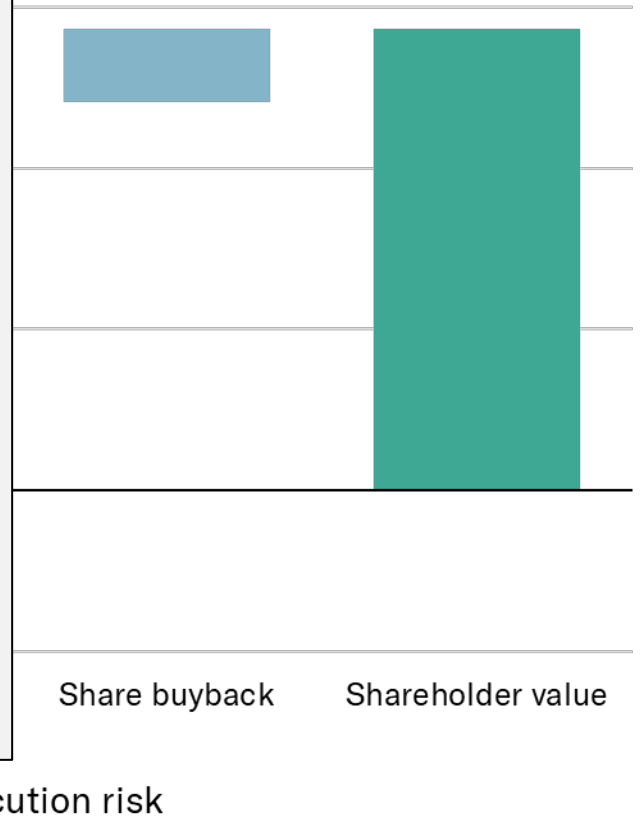
1. ACCR analysis, based on data from Damodaran, Rystad Energy, Bloomberg Finance LP and company reports. See Appendix for definitions and assumptions.

Is a *production* company more valuable than an *exploration and production* company?

A company that reduces its exploration and overhead costs, while also increasing gearing, can increase its buyback program

We assume:

- a debt-funded buyback equal to 10% of total equity, with 4% interest and no impact on the cost of existing debt
- avoided capex, exploration and corporate overhead costs are used for buybacks when these costs would otherwise have been incurred until 2035
- shares trade at a 10% discount to underlying value.[1]



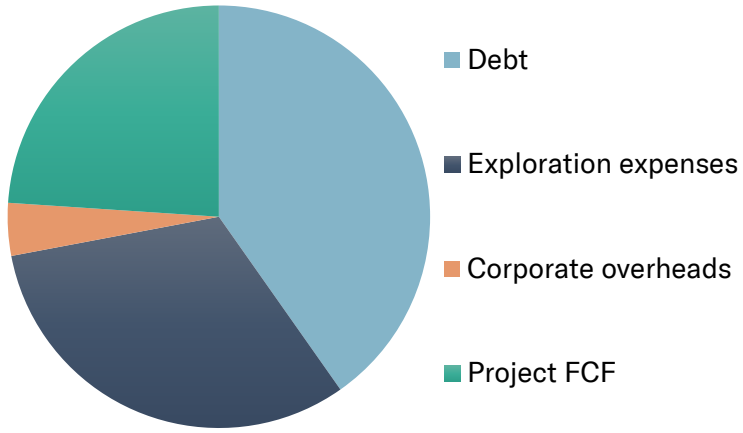
1. The ten companies in our study had 12-month price targets 16% above current share prices as of May 2025, averaged across all sell-side analysts. Bloomberg Finance LP, Used with permission of Bloomberg Finance LP.

If BP ceased conventional oil and gas investments, it could increase cash distributions by 35% in the next 5 years

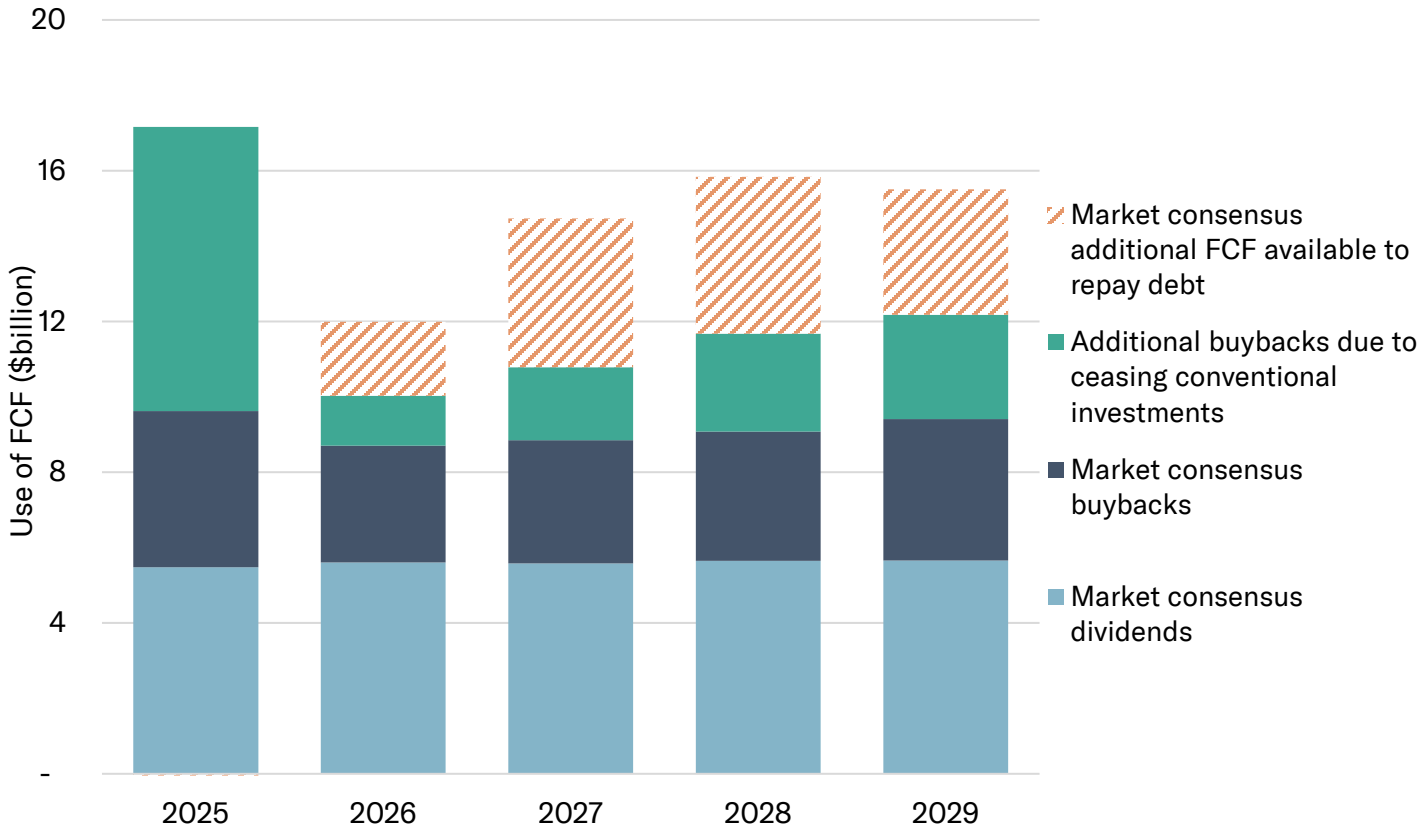
Our analysis shows that ceasing new conventional projects will:

- allow BP to increase cash distributions by $16 billion (35%) in the next 5 years
- still allow $13 billion of debt to be repaid from existing cash flows.

Sources of additional buybacks



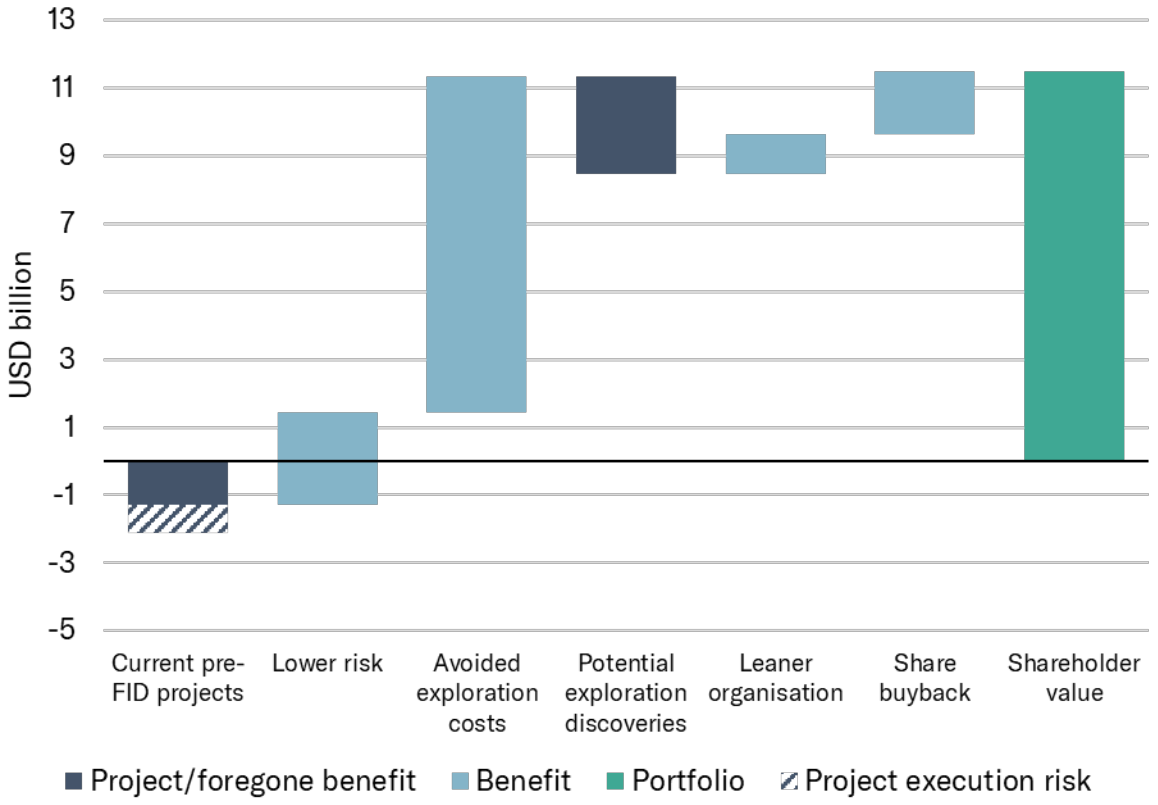
BP could increase dividends and buybacks by $16 billion if it ceased conventional investments[1]



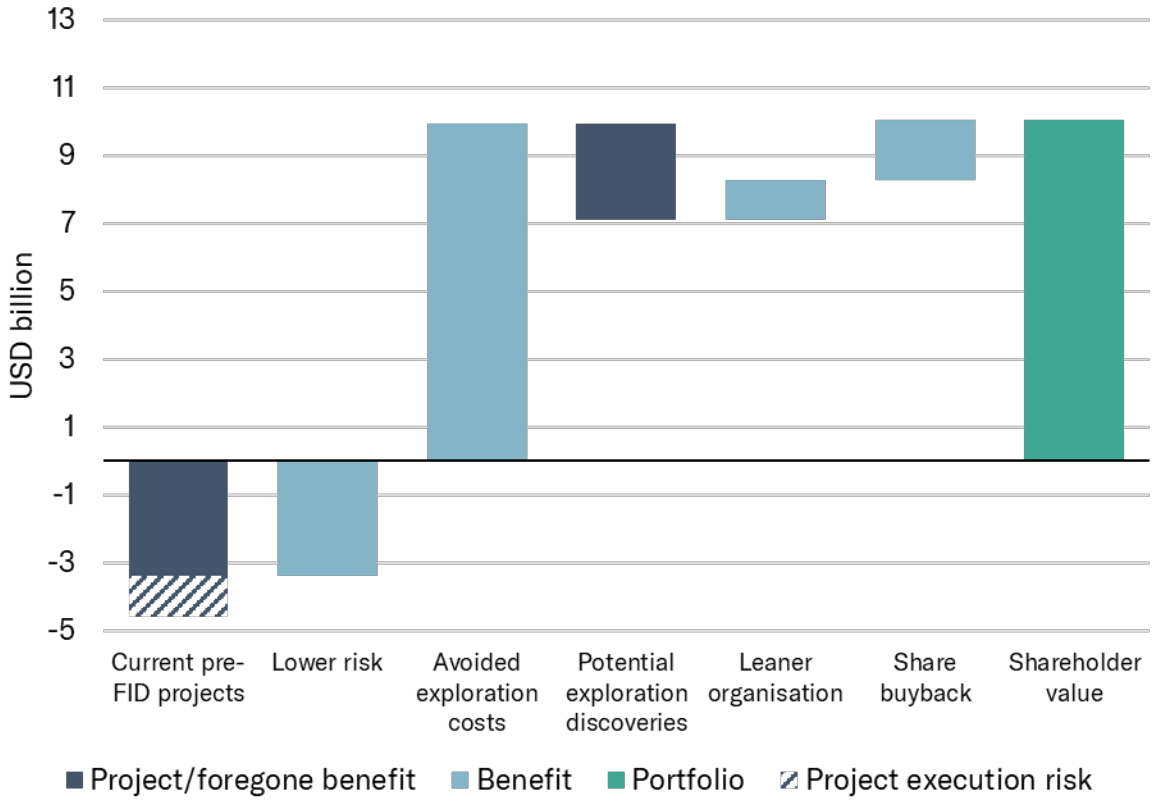
Source: ACCR analysis, based on data from Damodaran, Rystad Energy, Bloomberg Finance LP and company disclosures.

High prices reduce the value of ceasing exploration and development, but not as much as you may think

$11.2 billion using forward prices



$9.8 billion using Rystad base prices[1]



1. The forward price deck has an average Brent price to 2050 of $57 (RT25), compared to $70 under Rystad base.

These ten companies could see a combined $76 billion net present value (NPV) uplift if they stopped exploration and development of conventional oil and gas until 2035[1]

Source: ACCR analysis, based on data from Damodaran, Rystad Energy, Bloomberg Finance LP and company reports.

Appendix 2: Supporting data

ACCR

BP's largest projects that meet its investment criteria and are expected to reach FID before 2035

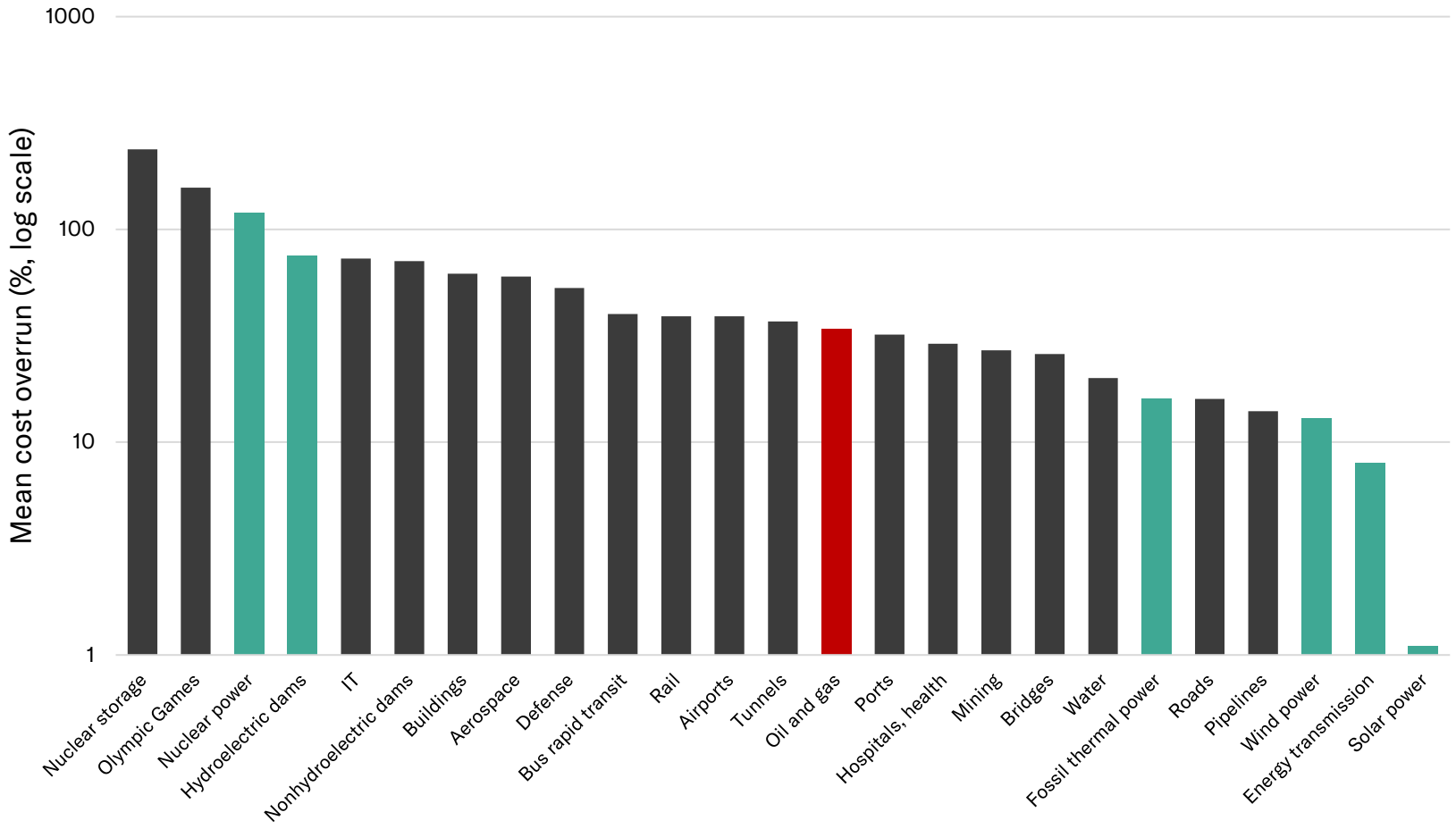
Project	Country	Field type	Start-up year	Final year of production	Total oil and gas reserves (Mboe)	Emissions ($MtCO_2e$)	Cost percentile[1]
Tiber, US[2]	United States	Oil field	2030	2064	358	153	81
Shah-Deniz, AZ	Azerbaijan	Gas-condensate field	2029	2061	322	104	97
Whale, US	United States	Oil field	2033	2057	168	70	46
Bu Hasa, AE	United Arab Emirates	Oil field	2034	2072	149	64	21
Asab FFD-2, AE	United Arab Emirates	Oil field	2029	2069	139	60	22
ACG (Azeri-Chirag-Guneshli Deep Water), AZ	Azerbaijan	Gas field	2029	2052	139	44	69
Kaskida (FPS), US	United States	Oil field	2034	2068	139	58	54
Frangipani, TT	Trinidad and Tobago	Gas field	2031	2053	107	34	70
Atlantic LNG T4, TT	Trinidad and Tobago	Gas field	2033	2054	86	27	75
Tangguh LNG Future Phase, ID	Indonesia	Gas field	2035	2064	30	9	81
Total					**1,637**	**623**	

1. Cost percentiles use oil or gas cost curves based on each project's field type.
2. FID reached in September 2025.

Different types of projects have markedly different levels of cost overrun

When compared to other types of energy projects, oil and gas projects have, on average:

- larger cost overruns than PV, wind, transmission and thermal power generation
- lower cost overruns than nuclear and hydroelectric projects



Source: Flyvbjerg and Gardner, How Big Things Get Done, 2023, p. 216.