

From The Times

February 28, 2008

## BP chief signals renewables profit drive



Carl Mortished, World Business Editor

Tony Hayward, BP's chief executive, yesterday gave the market a strong signal that he wants to realise value from the company's loss-making investments in renewables.

The Alternative Energy unit, which comprises BP's solar cell manufacturing, wind power, hydrogen and bio-mass ventures, was "worth between \$5 billion and \$7 billion", Mr Hayward said. In a strong hint that the company was feeling the pressure to generate a financial return from billions of dollars of investment in renewables, he said: "We intend to grow this business predominantly for its equity value."

Although the BP chief executive told City analysts that there were no plans to sell the Alternative Energy businesses, he said: "As we go forward, we will be looking at how best we can realise that growing value for our shareholders."

BP has invested billions of dollars in solar energy over the past decade but the business still does not deliver a profit. It was a core part of the strategy adopted by Lord Browne of Madingley, Mr Hayward's predecessor, to position BP as a company committed to green energy and it underpinned BP's rebranding in 2000 with the "beyond petroleum" slogan.

Sources within BP suggested the company could seek partners to invest directly in its renewable businesses. An external investment would help to crystallise value in the Alternative Energy unit, which Mr Hayward said the stock market fails to recognise.

Analysts said that BP was under pressure to retain its loss-making renewables business for political reasons as it was a "calling card" for the company when talking to governments about environmental issues. However, BP was also feeling intense financial pressure to raise returns and it needed to demonstrate that renewables could generate a profit for shareholders.

Jon Rigby, oil analyst at UBS, said: "Inside a big oil company like BP, a loss-making business has negative value. They are saying that this has material value."

The valuation of Alternative Energy emerged as Mr Hayward delivered a strategy presentation to the City in which he focused on BP's potential to raise oil and gas output from 3.8 million barrels per day to 4.3 million bpd by 2012 and efforts to cut overheads. "We aim to cut corporate overheads by 15-20 per cent and eliminate some 5,000 posts worldwide over the next 18 months," he said.

Andy Inglis, BP's exploration chief, said the company had added 2.4 million barrels to its resource base in 2007, raising the total to 42 billion barrels. BP's reserve life had risen from 41 to 43 years of output, he said.

In October Mr Hayward began a restructuring in which he scrapped the division that housed gas, power and renewables, folding the gas business into the upstream oil exploration arm. The shake-up relegated renewables into a low-ranking business unit, suggesting that Mr Hayward was less enamoured with renewables projects than his predecessor. Last year Mr Hayward said BP would return to the controversial Canadian tar sands business – which Lord Browne had criticised.

Vivienne Cox, head of the Alternative Energy business, said BP had invested \$1.5 billion in the green energy business since 2005, with a further \$1.5 billion planned for this year. She estimated that the solar business was worth between \$2.1 billion and \$3.9 billion, wind was valued at between \$1.8 billion and \$2.1 billion, while BP's gas-fired electricity generators are worth \$1.2 billion.

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