

# British petroleum (bp) sustainability and macro environment



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\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Introduction](#) \n \t
2. [Factors of Production](#) \n \t
3. [Macro Environment](#) \n \t
4. [Business Sustainability](#) \n

\n[/toc]\n \n

## **Introduction**

The name of company selected is British Petroleum. It is one of the biggest and vertically companies for oil and gas in accordance with its strong presence within 100 countries. There are three business segments within which it operates. This is what would explain the type of the business. The business operations include the production and exploration of crude oil and gas emulated by trading and marketing. It is headquartered in London and that is why, the country that has to be targeted here is the UK. The company has a workforce of around 92000 people and even more than that since this figure is estimated figure of 2013. It has a significant network worldwide which consists of 22600 locations branded as ARCO, Aral, Amoco, and BP.

They serve customers through a wide range of market sectors. The first segment of the customer is related to general and business aviation which incorporates business jet operators, aircraft and helicopter operators, private pilots, general aviation airfields and FBQs. The second segment of the customer includes commercial airlines. For this particular segment, they have the presence and the people around the globe to meet their needs. The

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third segment of the customer includes the technical services which incorporates airport authorities, national oil companies, and JV operators. And, the ultimate fourth segment of customer is related to military segment. According to their website, they claim that they have the presence, and individuals throughout the globe to facilitate military and humanitarian operations.

Since BP is a global company, the competitors to be listed here would also be in accordance with the global coverage. The names of the competitors include Exxon Mobil Corporation, Royal Dutch Shell Plc. and Chevron Corporation. Exxon Mobil Corporation is also one of the significant and well known oil company ahead of BP and Royal Dutch Shell. Royal Dutch Shell sits on the throne of gas and oil but is slightly below the company Exxon Mobil. It also produces chemicals and refined products at almost 30 refineries. Chevron is also ranked as number 2 integrated oil company within the US i. e. behind Exxon Mobil. It also owns 50 percent of the chemicals concern Chevron Philips Chemical. BP owns more than 50 percent of the biggest oil field in the US. The bottom line is, globally, these three companies have acquired the major dominance within the industry capturing their respective market share.

According to the author, the market for this particular business would be oligopoly because it incorporates some of the large sellers where they have a great dominance within the market. And that each of them produces products that are quite identical or a slightly different product. This information was quite necessary to be known because without this

information, it could have been difficult to asset the characteristics of the <https://assignbuster.com/british-petroleum-bp-sustainability-and-macro-environment/>

market. In order to analyze the demand for this particular business, we can specify one example of petrol. It is considered a necessity in almost every country. Demand can be found to be inelastic because with a slight increase in its price, people will still not stop to utilize because of the fact that people would need it to drive cars for travelling purposes. With the dominance of such companies within the market, they can set price with the market power and hence the prices would be set as a markup over marginal cost. Therefore, it can be said that the companies within this market have the ability to do so.

## **Factors of Production**

Basically, land, capital, labor and mainly entrepreneurship envelop the greater part of the inputs expected to result in the production of a service or a product. Land indicates to all of the natural resources regular assets, for example, timber and gold, utilized in the production for any commodity, product or good. Labor is the majority of the work that workers and specialists perform at all levels of any particular company, with the exception of an entrepreneur. The entrepreneur is the person who tool an idea and endeavors to make an economic benefit from it by consolidating all different production. The entrepreneur likewise assumes the majority of the rewards and risks of the business. The capital is the greater includes the machinery and tools to produce a service or a good. For this particular market and business, if the factors of production are to be taken for oil sector, the first factor of production will be land that would be used to get the oil, Labor would include the workers in the hardhat that would be responsible for cleaning service and for white coats, they would be giving the

responsibility to refine the oil. The capital factor of production would include the oil rigs, big pipelines, refineries, fuel trucks, and big oil ships. It would also include the refinery plants, and other gas stations. The fixed costs are related to the land while other capital items can also have the fixed costs in accordance with their maintenance or service charges.

## **Macro Environment**

Political and social stability are variables that are tricky to define and measure in a way which can be utilized as a part of econometric work. When there is a political instability, it incorporates instability of governments, administrations and groups inside a country. A compelling case is the pressurized overthrow, or a high likelihood of automatic evacuation, of existing power, from non-constitutional overthrows d'état, fruitful or otherwise. Regularly, changes take place intrinsically. For the UK, non-constitutional oust may appear a remote probability. On the other hand, the bottom line is that a high intensity to executive changes is connected with uncertainties within the policies and, in great cases, with risks connected with the property rights. In reality, property rights are much of the time propelled as foundations of extraordinary significance to the economic development, bringing down instability and transaction costs connected with the activities within the economy. Till now the inflation rates have fluctuated a lot. The details are as below:

Less expensive fuel and lower prices for energy brought the rate of inflation for UK to a low record equaling in December in accordance with the authority figures. Inflation as measured by the Consumer Prices Index dropped to 0.

5% last month, from 1% in November as per the Office for National Statistics.  
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The last time 12-month to month inflation was this low was in May 2000 as per the ONS authority. The rate of Retail Prices Index (RPI) inflation, which is figured in an unexpected way, additionally proceeded with a descending pattern, tumbling to 1.6% from 2%.

There have been significant changes in the inflation rate lately. In 2008, as the worldwide financial crisis was grabbing hold, costs were climbing at a yearly rate of around 5%. Anyhow short of what after a year, costs were climbing by around 1% on the CPI measure, however were really falling by around 1.5% on the RPI measure. By late 2011, costs were climbing again with CPI at 5.2%, matching the record high set in September 2008. RPI rose to 5.6%, the most astounding yearly rate since June 1991. Since then both measures have fallen back once more, with CPI now underneath the Bank of England's 2 per cent target rate shockingly since November 2009.

The exchange rate will assume a vital part for firms who export commodities or products and import crude materials. Basically

A devaluation or depreciation will let the export to become less expensive and trading firms will advantage. Whereas an appreciation makes trades more costly and lessens the competitiveness of the firms that are exporting. On the off chance that there is a deterioration in the depreciation in the value of GBP, it will make the exports of UK less expensive, and it will make imports into the UK more lavish. For example, the exchange rate in 2012 was £1 = €1.50.

By Jan, 2013, the Pound had reduced in value so £1 was currently just justified regardless of €1.10 (a 26 per cent devaluation). In order to explain <https://assignbuster.com/british-petroleum-bp-sustainability-and-macro-environment/>

the impact of exchange rate and exports, assume a British car costs £4, 000 to manufacture and gets sold for £5, 000 in the UK.

In 2012, the European cost of this particular car would be €7, 500 (5, 000 \*1. 5)

In 2013, the European cost of this auto would be €5, 500 (5, 000 \*1. 1)

The 26% devaluation implies that European purchasers now discover British products much less expensive. The expense of producing the car continues through to the end, yet the powerful market cost in Europe has fallen. This ought to build demand for the goods on British.

## **Business Sustainability**

BP's target is to develop value for shareholders and suppliers of energy for the world in a responsible and capable way. They strive to be a world-class administrator, a mindful corporate national and a decent employer.

Keeping a core focus on safety is characteristically a top need for them. Thorough administration of risks serves to secure the individuals at the bleeding edge, the spots in which they work and the quality they make. They comprehend that working in politically unpredictable locales and other geographies that are technically demanding, for example, profound water and oil sands, obliges specific sensitivity to nearby environments. They keep on enhancing their frameworks, methods and norms that includes as to how they deal with the risks that can be made by the activities of their operators and contractors of joint ventures in which they take part.

They can just work on the off chance that they keep up the trust of individuals inside and outside the organization. They must gain individuals' trust by being reasonable and capable in all that they do. They screen their performance nearly and expect to report in a straightforward manner. They accept great correspondence and open dialog are key in the event that they are to meet the desires of their representatives, clients, shareholders and the nearby communities in which they work.

They are attempting to turn into a less complex business, concentrating on where they can produce the most value, and not so much the most volume in accordance with their production. They are reinforcing their arrangement of exceptional yield and more life upstream resources, while fabricating great downstream organizations. They are likewise putting resources into lower-carbon choices that can possibly help in taking care of developing demand of the energy over the long haul. The greater part of this is underpinned by their technology, mastery and relationships.

Strong performance in accordance with the financial indicators is imperative on the grounds that it empowers them to make the ventures important to make a production of energy that society obliges, while remunerating and keeping up the support of their shareholders. By supplying energy, they help financial advancement and help to enhance personal satisfaction for a large number of individuals. Such activities likewise create occupations, speculation, governmental revenues, infrastructure and nearby groups.

There is one evidence of the negative externalities from the operations of British Petroleum. It happened in June 2010. BP's (British Petroleum) oil

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break off the shoreline of Louisiana raises an extraordinary number of issues that are pertinent from an economic perspective:

Firstly it is hard to gauge what is the genuine measure of oil spilling into the ocean. Today BP says it is 40, 000 barrels/ day. So as a cynic who does not accept organization PR explanations, it may be higher.

Furthermore, how does one measure the level of the negative externalities included. (A negative externality is a cost that is not paid by the consumer or producer, rather guiltless outsiders who are not directly to be involved in the transaction pay for it). The fishermen in a wide area have lost their vocation, the exploration of oil on the coast has halted - so oil laborers from non BP firms have lost their jobs, the tourism industry in Florida has been influenced. The harm to the environmental environment is colossal. The rundown goes on. Additionally how long will it take for the biological environment to come back to normal?

The incongruity was that as of not long ago, BP not aware of the externalities it has made was getting prepared to pay £10 billion in profit to shareholders. Thus, it is protected to infer that BP's benefits are high on the grounds that its costs related to production do exclude the negative externalities it makes. Furthermore normally the general population pays, for the benefits of BP shareholders, with cuts in their administrations since the tax money may be utilized for cleaning up operations. A fantastic instance of socialization of costs and privatization of the profit. This is just similar to the bailout of banks eventually some time back.

Yet one of the reasons for this incident could be insufficient regulation and the yearning to cut expenses. Safety and health regulation has regularly been reprimanded as expanding production expenses of firms. Yet the individuals who have blind confidence in business sectors keep on demanding lesser regulation for these oligopolies.

The good thing is that the mischance happened off the coast within the US and constrained Obama to pay heed. In 1984, there was the world's biggest mechanical catastrophe in Bhopal, India created by a now wound up US firm called Union Carbide. Those dead, in hundreds, were paid insignificant payment, the company's holders have gotten away and the spot is as toxic as ever. The Indian government has been purchased over by the MNC, which was less expensive than paying for the externalities, and most supervisors of Union Carbide would die in their homes as opposed to going to penitentiary for even one day.