

Investigation on the current strategic situation of british petroleum within the ...

[Business](#), [Company](#)



This report will be mainly concentrating on a company called British petroleum also world widely commonly known as Bp. the point focuses of this report is to examine and evaluate the current strategic situation of BP within the energy sector. Also as this report go more deep or further it will be looking at BP PESTLE analysis.

BP Company Profile

“ BP is a British multinational oil and gas company. It is the fifth-largest energy company by market capitalization, fifth-largest company in the world measured by 2012 revenues, and the sixth largest oil and Gas Company measured by 2012 production. It is one of the six oil and gas “ super majors”. II. BP is vertically integrated and operates in all areas of the oil and gas industry, including exploration and production, refining, distribution and marketing, petrochemicals, power generation and trading. It also has renewable energy activities in biofuels and wind power. ”

BP also commonly known as British petroleum is one of the globe leading gas and oil companies in energy industry. However, BP P. L. C has many branches all over the world, but the company main headquarter is in London England. II. The company is aiming at creating a very long term value with its shareholders by supporting to achieve the growing of a big demand for energy in a safe and responsible manner. “ We aim to create long-term value for shareholders by helping to meet growing demand for energy in a safe and responsible way”. The company is forging to still be a worldwide class operator, a responsible citizen and be a good employer to employees. “ We

strive to be a world-class operator, a responsible corporate citizen and a good employer. ”

BP business model

The company believes that the best manner to attain sustainable success as a group is that it should be acting in a very long term interest of its shareholders, partners and society. “ We aim to create value for our investors and benefits for the communities and societies where we operate”. By giving energy, the company helps to support economic development and support to improve quality of life for many people. The company activities help to create jobs, investment, infrastructure and money to the government and local communities. “ We aim to create value for our investors and benefits for the communities and societies where we operate. ”

BP’s Strategy

BP has set itself a goal of delivering value over volume. The company is in pursuance of its strategy by giving itself clear priorities, managing a good portfolio and using its distinctive capabilities. “ Our goal is to be a focused oil and gas company that delivers value over volume”. The company has an objective of creating shareholder value by amplifying supportable available funds over the long term. The company professional approach empowers the company to grow distribution to its shareholder over time.

Clear Priorities

First, the company goals is to run safe, consistent and flexible operations leading to a higher-up operational proficiency and safety performance. The

company also aims to attain competitive projects implementation, which is about delivering projects efficiently so that they are on time and on budget. The company to make efficient financial choices, in favour of grow in operating cash from its businesses, controlled allocation of fund and financial flexibility.

“ First, we aim to run safe, reliable and compliant operations – leading to better operational efficiency and safety performance. We also aim to achieve competitive project execution, which is about delivering projects efficiently so they are on time and on budget. And we aim to make disciplined financial choices in support of growth in operating cash from our businesses, disciplined. ”

Quality Portfolio

The company has undertaking an active portfolio management to give attention on areas where it can play to its strengths. This means that the company keep working hard to extend its exploration position, reloading its upstream pipeline. The company concentrates on a high value upstream resources in deep water, very large fields and selected gas value chains. And in the company downstream businesses, the company plan to leverage its newly upgraded assets/resources, clients/customers relationship of technology to increase the performing of cash stream/flow. The company portfolio of projects and operations is directed where it can produce the most value, and not essential the most volume, by means of its production. “ We undertake active portfolio management to concentrate on areas where we can play to our strengths. This means we continue to grow our exploration

position, reloading our upstream pipeline. We focus on high-value upstream assets in deep water, giant fields and selected gas value chains. And, in our downstream businesses, we plan to leverage our newly upgraded assets, customer relationships and technology to grow operating cash flow. Our portfolio of projects and operations is focused where we believe we can generate the most value, and not necessarily the most volume, through our production. ”

Distinctive Capabilities

The company competence to provide/supply against its priorities, and the shape the right portfolio, rely upon its distinctive capabilities. It operates an advance technology throughout the hydrocarbon value chain, from finding the capital to developing energy-efficient and high-functioning product for customers/clients. The company is working hard to keep a very strong relationship with governments, partners and civil society to improve its operations in almost 80 countries throughout the world. And the established know-how of its employees comes to the fore in large areas of discipline.

The company upstream technology which include an advance seismic to support the company to find lots more gas and oil. However, the company improved the efficiency of its new techniques of unconventional gas and oil production. The company also concentrate on its downstream technology on increasing the good performance of its refineries and petrochemicals plan and on producing a high quality, energy efficient, cleaner products. In 2010 BP had its biggest disaster in the industry, however, the deep-water also commonly known as BP oil spill, or BP oil disaster, or the gulf of Mexico oil

spill which began in April 2010 is considered to be the biggest accidental marine oil spill in the history of the petroleum. Due to the accident in the Gulf of Mexico in 2010, in 2011 BP developed a 10-point strategy; relentless focus on safety, play to our strengths, stronger and more focused, simpler and more standardized, more visibility and transparency to value, active portfolio management, new upstream projects on-stream with unit cash margins double the 2011 average, generate around 50% more in operating cash flow by 2014 versus 2011, half of incremental operating cash for reinvestment-half for other purposes including distributions and strong balance sheet.

“ Our ability to deliver against our priorities and build the right portfolio depends on our distinctive capabilities. We apply advanced technology across the hydrocarbon value chain, from finding resources to developing energy efficient and high-performance products for customers. We work to develop and maintain strong relationships – with governments, partners, civil society and others – to enhance our operations in almost 80 countries across the globe. And the proven expertise of our employees comes to the fore in a wide range of disciplines. ”

BP mission statement

As many other large companies all around the world with a specific mission statement, contrary to BP. BP does not have a specific mission statement, but the company gives many different statements known as “ what we do”, “ what we stand for” and “ what we value”. This report putted together all

these 3BP statements, as this believes that it resemble to a true mission statement.

What we do: “ We find, develop and produce essential sources of energy. We turn these sources into products that people need everywhere. The world needs energy and this need is growing. This energy will be in many forms. It is, and will always be, vital for people and progress everywhere. We expect to be held to high standards in what we do. We strive to be a safety leader in our industry, a world-class operator, a good corporate citizen and a great employer. We are BP. ”

What we stand for: “ Above everything, that starts with safety and excellence in our operations. This is fundamental to our success. Our approach is built on respect, being consistent and having the courage to do the right thing. We believe success comes from the energy of our people. We have a determination to learn and to do things better. We depend upon developing and deploying the best technology, and building long-lasting relationships. We are committed to making a real difference in providing the energy the world needs today, and in the changing world of tomorrow. We work as one team. We are BP.

However, “ BP wants to be recognised as a great company – competitively successful and a force for progress. We have a fundamental belief that we can make a difference in the world. We help the world meet its growing need for heat, light and mobility. We strive to do that by producing energy that is affordable, secure and doesn't damage the environment. BP is progressive,

responsible, innovative and performance driven. “ BP further defines its mission to be “ progressive, responsible, innovative, and performance drove” with these explanations, some of which are surprising in light of the 2010 Gulf oil spill disaster.

“ Progressive – We believe in the principle of mutual advantage and builds productive relationships with each other, our partners and our customers. “

“ Responsible – We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment.”

“ Innovative – We push boundaries today and create tomorrow’s breakthroughs through our people and technology.”

“ Performance Driven – We deliver on our promises through continuous improvement and safe, reliable operations.”

BP PESTLE Analysis

PESTLE is in fact an audit of an organisation or company’s environmental influences with the focus point of using that information to guide strategic decision making. PESTLE stands for – Political, Economic, Sociological, Technological, Legal, and Environmental.

1. Political

Because of its deep-water crisis in 2010 also known as oil spill in the Gulf of Mexico, BP faced a heavy fine from the United States. However, many BP’s oil producing regions such as Middle East are confronting

with unstable government making business even more volatile Oil. “ BP, in agreement with the US government, set up the \$20-billion Deepwater Horizon Oil Spill Trust (the Trust) to provide confidence that funds would be available to satisfy legitimate individual and business claims, state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages and related costs. The cumulative charges to the Trust had reached \$20 billion in 2014. Subsequent additional costs over and above those provided within the \$20 billion, are being charged to the income statement as they arise”.

2. Economical

BP is implanted in over 80 countries around the world, and employs more than 85000 people. The deep-water horizon oil spill in 2010, BP invested about 20 billion dollars trust fund in case where there is claim from the oil spill. This fund was created in order to pay or compensate any kind of natural resource damages, state and local response cost but also an individual compensation.

However, due to this oil spill in the gulf of Mexico BP still has to pay or compensate thousands of the gulf oil spill claimant which could possibly have billions of dollars of their potential earnings. “ BP PLC agreed to pay \$18. 7 billion to settle all federal and state claims arising from the 2010 Deepwater Horizon oil spill, including the biggest pollution penalty in U. S. history. ”

3. Social

BP is in almost in 80 countries across the world with more than 85900 people working for the company. BP has about more 15 refineries in its possession. However, BP reputation is not that good as it was before the oil spill accident in the Gulf of Mexico in 2010.

4. Technology

BP was a very secure leader in the oil sector before the oil spill in the Gulf of Mexico in 2010. However, BP works in very deep water and oil sands. Competition has made BP to be constantly on their feet. Oil sands in deep water it is a very technological demand for it is hard to extract. BP generates 12% greenhouse gases than any normal machine, BP has invested in greener technology future.

5. Environment

BP has about 17000 million barrels of oil in stock, BP refining through puts are about 2354 thousand barrels every single day. The 2010 oil spill in the Gulf of Mexico did not only damage BP reputation but also had a great negative impact on the ecosystem. According to NOAA' approximately $\frac{3}{4}$ of the 4.9 million barrels leaked and either disappeared (evaporated, captured, burned or dispersed) or remained in the gulf. It has greatly affected certain ecosystems within the area'. However, this oil spill had a great impact, because some areas were completely drenched in oil. From fish to birds by passing plant and other living and non-living organism were greatly impacted by this oil spill accident in the Gulf of Mexico.

However, in a short term, from this accident there will be a considerable big loss in the wetland and grasses and also a considerable decrease in number of fish and also in some other water living organism. In relation to the long term there also will be a considerable decrease in productivity in such population. V. From this accident never seen in the industry of marine before, BP has created a trust fund of 20 billion dollars in case where there is a claim. This fund is created by BP to compensate for any natural resource damage, state and local response, but this fund is also available for any individual compensation.

6. Legal:

This BP oil spill in the Gulf of Mexico in 2010, causing a very big negative impact on the ecosystem, living many more areas in a drenched oil, where many fish to birds passing by many plants and affecting many of living and non-living organism, causing a very big vast lost in wetland and grasses, therefore, United State congress passed a legislation limiting or restricting BP business in the United State, however, many bills were introduced, some of these bills were mainly targeting the oil spill crisis in the gulf of Mexico, where some other bills were targeting on preventing future such crisis.

“ BP is subject to a number of different legal proceedings in connection with the Deepwater Horizon incident in addition to the legal proceedings relating to the PSC settlements and the multi-district litigation proceedings in New Orleans”. Question brought up by the set of them is how much of a price BP

in particular and big oil in general will pay for this spill, both now and in the future. Therefore the bill that was passed by the congress will have a very big negative impact on BP, because this will be costing BP some of its assets in the Gulf of Mexico.

In 2012 there was a settlement which proposed to BP 7.8 billion dollars deal. However, it would access the 20 billion dollars from the deep-water horizon oil spill to support to pay for the claims. But lately BP won a partially victory by having a lower court judge from a federal appeals court to re-examine its interpretation of the settlement deal claims of the oil spill in the gulf of Mexico. However, there was another 10 billion dollars deal added to the roughly 44 billion dollars that BP has already incurred in legal and clean-up cost, pushing BP tab for the oil spill in the Gulf of Mexico bigger than all the profits or benefits that the company has gained since 2012. BP will be paying less in fine of 55 billion dollars of the deal or settlement total than the maximum 13.7 billion dollars that BP confronted under the federal clean water act. However, BP payment would be the biggest ever under this law. The government announced that, the whole entire deal would be the ever largest it ever gained with a corporation. Since from the deal or settlement it had, BP has already paid about some 4 billion dollars for more than 44000 eligible claims concerning the oil spill in the Gulf of Mexico in 2010.

From all the damages that, the oil spill in the Gulf of Mexico in 2010, BP pleaded guilty to 14 criminal counts and accepted to pay 4 billion dollars deal to the department of justice for a period of five years.

Conclusion

BP oil Spill: “ Expected to announce record losses after setting aside around US \$25-\$30 billion to pay for the massive clean-up operation and legal fees resulting from the huge oil spill in the Gulf of Mexico”. From the oil spill in the gulf of Mexico in 2010, from all the bills that, the congress in the United State passed restricting BP business in the United State, and from all the heavy fines or charges that it has to pay, BP still one of the world top leaders in the oil and gas industry. The very high unemployment rate in the United State, so far has not giving any kind of reason to the United State government and local authority to turn BP away.

However, BP will be having an opportunity to reemphasis and rebuild its safety maintenance operations system. V. Many people living in the Gulf of Mexico still relying on BP for their livelihoods, and BP will be providing again a vital source of income and energy for the United State. So far BP has invested about 10 billion dollars in the next five years with their partners, and the worldwide energy still in a very big high demand, it increased by 40% so far, therefore, BP still in a good shape for the next few years to come a head. However, restriction BP business in the United State from the bill that the United State congress passed in relation to the oil spill in the Gulf of Mexico in 2010, BP will be losing a substantial amount of money and jobs.

Also that the environmental protection agency in the United State will by setting fines on any oil disaster on a per barrels basis. IX. The deep-water horizon oil spill but also known as the Gulf of Mexico oil spill in 2010, made BP to lose its CEO, reputation and a ton of money, but this oil spill also

happened in one of the most gain able spot for BP, the Gulf of Mexico in the United State.

Fitch Ratings said that ‘ the deal would strengthen BP’s credit, helping it improve its balance sheet and cope with the yearlong downturn in oil prices’. The company Chairman Carl-Henric Svanberg said that the agreement or the deal provides “ a path to closure for BP and the Gulf”. But also “ It resolves the company’s largest remaining legal exposures, provides clarity on costs and creates certainty of payment for all parties involved, ” he said.