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Our Ref: FOI2015/09518  
Your Ref: 00UKT950

August 2015

Jack Alexander  
Request Initiative  
[foia@requestinitiative.org](mailto:foia@requestinitiative.org)

Dear Mr Alexander,

Thank you for your letter of 20 June 2015 requesting an FOI relating to:

Information on meetings and correspondence from June 2014 to the end of parliament in April 2015 between Vince Cable whilst he has been in his role as Strategic Relation for Oil and Gas and:

- Shell
- BP
- Statoil
- BP Group:

- *Shell*
- *BP*
- *Statoil*
- *BP Group*

*I would like all information from June 2014 to the end of parliament in April 2015. If this is going to be too broad, please focus from January 2015 to the end of parliament in April 2015.*

*Please can I also receive any instructions or guidance documents provided to Vince Cable when he was appointed as UKTI's Strategic Relation for Oil and Gas.*

We have considered your request in accordance with the Freedom of Information Act 2000 ('the Act'). We have also considered your request in accordance with the Environmental Information Regulations 2004 (EIRs), as some of the information you have requested does, in our view, fall within the definition of 'environmental information' as stated in the EIRs.

The annex attached to this letter contains the information requested; however, some information has been withheld on the basis that it falls under one or more exemptions: EIR 12(4)(e), which relates to internal communications, EIR 12(5)(f), which relates to third party disclosure, FOI Section 43(2), which relates to commercial interests, EIR 12(5)(e), which relates to confidential commercial Information, FOI section 27(1)(a) and EIR 12 (5) (a) which relate to international relations, FOI s 35(1)(a) which covers any information relating to the formulation and development of government policy, and EIR 12 (3) and 13 and FOI s40(2) which relate to personal data. The reasons for the application of the exemptions are outlined below.

#### EIR 12(4)(e): Internal Communications

As set out above, some of the information you have requested is 'environmental information' and must therefore be dealt with under the EIRs. Regulation 12(4)(e) of the EIRs provides an exception to the disclosure of internal communications on environmental information. For example, some of this information describes, in detail, the impact of new European environmental regulation on a UK company's operations.

The exception in regulation 12(4) of the EIRs is subject to a public interest test – before relying on the exception we must assess whether the public interest in withholding the information is outweighed by the public interest in disclosing it. In considering the public interest we have applied a presumption in favour of disclosure as required by regulation 12(2) of the EIRs.

We accept that there is a public interest in understanding the impact of how government policy is shaped. Greater transparency helps the public to assess the quality of advice being given to Ministers, and understand how policy is developed. However, there are specific justifications for withholding some information in this instance. For example, the impact of the European environmental legislation on a UK company's operations, highlighted above, is still a live issue and it is important that civil servants are able to consider all relevant matters fully and to understand the full effects of EU legislation on UK companies in order to make better policy in this field.

Additionally, as part of the formulation of this policy it is essential that civil servants are able to communicate with external parties with relevant knowledge and experience, including the companies referred to in your request. It is essential that third parties feel they can provide Government with candid views without fear that that information will be made public, particularly when those views relate to sensitive and ongoing issues. This must include the ability to receive information on a

confidential basis which can be considered and used as appropriate to shape such policy. If such information could not be received from interested parties and could not be recorded and disseminated internally without fear that the information would be released, that would lead to significantly less considered and effective policy in this important area.

On balance, we consider that the public interest in disclosing this information is outweighed by the public interest considerations in favour of withholding the information. The Department's decision is therefore to withhold the information.

#### EIR 12(5)(f) Third Party Disclosure

Information is withheld under regulation 12(5)(f) because it features confidential financial and commercial information on environmental matters which would be commercially damaging to third parties if released. We have applied a presumption in favour of disclosure as required by regulation 12(2) of the EIRs.

We accept that there is a public interest in understanding this policy area, and disclosure of this information would provide greater transparency which would enable the public to do this. However, against this there is a public interest (employees, shareholders, etc) in ensuring that the commercial interests of external companies are not damaged or undermined by disclosure of information which was provided to the Department on a voluntary basis and which is not common knowledge and which could adversely impact on their future business.

Additionally, the third parties who supplied the information were not under any legal obligation to supply it, did not expect it would be disclosed to a third party and have not agreed for the information to be released. The information consists of financial and commercial information which, if released, would be commercially damaging and so would adversely affect their interests.

In these circumstances, we consider that the public interest in disclosing this information is outweighed by the public interest considerations in favour of withholding the information. The Department's decision is therefore to withhold the information.

#### FOI Section 43(2) – Commercial interests / EIR Regulation 12(5)(e) Confidential commercial information

The information in scope of your request includes interactions between HM Government and three commercial companies and focuses on commercial issues, which are not in the public domain. For example, a company's financial exposure and risk in a particular region.

There is a public interest in ensuring transparency in Governments' relationship with industry, as this enhances public scrutiny, making Government more accountable to the public. However, we believe releasing this information would have the adverse effect of weakening the company's position in a competitive environment, through the revealing of market-sensitive information which could be of potential use to its competitors. The Department's own commercial interests could also be damaged as disclosure could damage our business reputation and the confidence these

particular companies have in us, making them reluctant to provide us with market-sensitive information in the future.

We therefore consider the balance of the public interest lies in withholding this detailed underlying information.

FOI Section 35(1)(a)

The information in scope of your request includes interactions relating to the formulation and development of government policy.

The information requested concerns, amongst other things, sanctions against Russia that are still in place and being reviewed on an ongoing basis. The existing sanctions are significant to the UK's national interest. It is important that civil servants are able to consider all relevant matters fully and to understand the full effects of sanctions in order to make better policy in this field. As part of the formulation of this policy it is essential that civil servants are able to communicate with external parties with relevant knowledge and experience, including the companies referred to in the request. It is essential that third parties feel they can provide Government with candid views without fear that information will be made public, particularly when those views relate to sensitive and ongoing issues. This communication must include the ability to receive information on a confidential basis which can be considered and used as appropriate to shape such policy. For example, one document discusses the factors effecting the UK's energy security. If such information could not be received from interested parties and could not be recorded and disseminated internally without fear that the information would be released, that would lead to significantly less considered and effective policy in this important area, potentially resulting either in sanctions policy that was so light as to be ineffective or so stringent as to be unworkable or counter-productive.

We therefore take the view that there is a significant public interest in withholding the information requested in the interests of both the free and frank provision of advice to Ministers and civil servants and the free and frank exchange of views for the purposes of deliberation.

We accept that there is a public interest in understanding sanctions policy and decision-making. However, the policy issues featured, such as sanctions against Russia are still live, which means that information on communications relating to those sanctions is particularly sensitive at present. We take the view that, on balance, the public interest is better served by withholding this information.

FOI section 27(1)(a) and EIR 12 (5)(a) international relations

Some information in scope is withheld under FOI section 27 and EIR 12 (5) (a) international relations as its disclosure would, or would be likely to prejudice relations between the United Kingdom and another state.

For example, some of the information relates to communications between public authorities in the UK and another state, which was given in confidence and is not in the public domain, in relation to a company's overseas operations. Another example, relates to outstanding debts owed by another Government.

### EIR 12(3) and 13 and FOI section 40(2) – Personal data

Personal data concerning junior officials and company officials in some of the information we have released has been redacted in accordance with Regulations 12(3) and 13 of the EIRs and section 40(2) of the FOI Act. This provides an exception to the duty to disclose, the effect of which is to apply provisions and principles in the Data Protection Act 1998 (DPA). Where the person requesting information is not the data subject, then personal data of third parties can only be disclosed in accordance with the data protection principles within the DPA. In particular, the first data protection principle requires that disclosure must be fair and lawful and must comply with one of the conditions in Schedule 2 of the DPA. We do not think that it is fair to release the names and contact details of these officials and third parties and do not think that any of the relevant conditions apply.

### **Appeals procedure**

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original request and should be addressed to the Information Rights Unit:

Information Rights Unit  
Department for Business, Innovation & Skills  
1 Victoria Street  
London  
SW1H 0ET  
Email: [FOI.Requests@bis.gsi.gov.uk](mailto:FOI.Requests@bis.gsi.gov.uk)

Please remember to quote the reference number above in any future communications.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

Yours sincerely,

Strategic Relations Management Team  
UKTI

## Annex A: Information in Scope

To Vince Cable, Secretary of State, BIS

From REDACTED SECTION EIR 12 (3) and 13 and FOI s40

### Vince Cable Strategic Relationship Management Meeting with BP Wednesday 28<sup>nd</sup> January, 2015 at 15.15 – 15.45

#### Attendees

- **Dev Sanyal** - Executive Vice President, Strategy and Regions
- **Peter Mather** – BP Group Regional Vice President Europe, Head of UK  
**REDACTED:** EIR 12 (3) and 13 and FOI s40(2) – Personal data
- **Jonathan Holyoak** – Head of International Energy at Department of Energy and Climate Change

#### Purpose

This meeting forms part of your regular engagement with BP as their SRM Contact Minister. You last met Iain Conn and Peter Mather on Monday 1<sup>st</sup> September, 2014.

#### To note:

BP wants to thank you for your help and support on the EU Accounting Directive.

#### Agenda

1. US – Gulf of Mexico Oil Spill Court Actions
2. Russia – South Stream / Southern Gas hub via Turkey
3. BP's operations in the Middle East and North Africa (MENA) region
4. Market trends - Oil prices and Petroleum Exporting Countries (OPEC)
5. India
6. (If raised) Russian sanctions

#### Attachments:

**Annex A: BP Biographies**  
**REDACTED SECTION 43 and EIR 12(4) (e)**

## **Briefing:**

### **1. US – Gulf of Mexico Oil Spill Court Actions**

#### **Lines to take:**

- **Continue to watch the outcome of the court proceeding in Louisiana closely. What are your expectations for legal challenges ahead?**  
**REDACTED EIR 12(4) (e): Internal Communications**

#### **Background**

- In September 2014, HMG (at the request of BP) submitted an amicus curiae brief to the US Supreme Court supporting BP's request to the Court that it hear their appeal against an earlier Federal Court decision relating to Deepwater Horizon spill compensation claims. The decision allowed claims to be paid out to Gulf Coast residents and businesses who asserted they had suffered economic loss as a result of the Deepwater Horizon oil spill, and, in BP's view, often without sufficient evidence of damage or harm being caused by the spill. On 8 December, the Supreme Court announced that it would not hear BP's case.
- BP is fighting on a number of other legal fronts. The most significant trial is in Louisiana under the Clean Water Act. This trial is in three phases:
  - Phase 1 is complete, where BP were found to be grossly negligent in the run up to the blow out at Macondo (Haliburton and Transocean were found to be negligent only; BP is appealing).
  - The result of phase 2 of the trial was announced late on Thursday 15 Jan. The Judge ruled that the oil spill had been 3.19 million barrels; roughly half way between BP and US Government estimates, which brings the total down roughly £4billion from the worst case \$17.6bn.
  - Phase 3 of the trial begins on 20 Jan and will decide on the overall level of fine. BP are keen the courts gives proper consideration to 'affordability', noting that the fall in oil price, and fact BP is 25% smaller than when the accident happened should be taken in to account.

**REDACTED SECTION 43 / Regulation 12(5)(e) & 12(4)(e)**

**REDACTED EIR 12(5) (a): International Relations**

## 2. Russia – South Stream / Southern Gas hub via Turkey

### Lines to Take:

- Interested in your take on the announcement by Putin that the South Stream gas pipeline is to be redirected to Turkey.
- What is your assessment of the viability of the Southern Gas hub via Turkey? Does this threaten the Southern Gas Corridor and future gas to Europe?
- Interested to hear how your strategic partnership with Rosneft is progressing.
- Has the continuing crisis in Ukraine has had any effect on the business environment in Russia? For example, have the sanctions directly affected your work?
- Interested in your views on the effects of low oil price on the Russian economy and Russian oil production and your own Russian development plans.

### Background

#### Russia

REDACTED SECTION 43

#### South Stream

- President Putin announced on 1 December that Russia would stop the construction of the South Stream gas pipeline and instead build a pipeline to Turkey and create a 'Southern Gas Hub'.

REDACTED SECTION 35



### 3. BP's operations in the Middle East and North Africa (MENA) region

#### Lines to Take:

- What are BP's views on current and future operations in the MENA and assessment of the fall in oil prices in the region?
- Can you share information on the current state of UAE bids?
- Has the agreement had any impact on BP's activities in Kirkuk, Iraq?
- REDACTED SECTION 27 and 43 and EIR

#### Background

**United Arab Emirates (UAE)**  
REDACTED SECTION 43

**Iraq**  
REDACTED SECTION 43

**Egypt**  
REDACTED SECTION 43

**Algeria**  
REDACTED SECTION 43

**Kuwait**  
REDACTED SECTION 43

**Oman**  
REDACTED SECTION 43

#### 4. Market trends - Oil prices and Organization of the Petroleum Exporting Countries (OPEC)

##### Lines to Take:

- What is the current impact of the low oil price on BP both in the UK and globally?
- Do they see further job losses or an impact on your supply chain?
- REDACTED SECTION 35 Are

##### Background

- Much of the general downward trend in price has been a product of poor market sentiment and weak macroeconomic data from China and Europe resulting in lower than expected demand growth.
- Whilst on the supply side, US output continues to surprise, IEA data from January 2015 suggests average production in 2014 was almost half a million barrels per day greater than predicted in January 2014. This has been coupled with continued strong supply from Iraq depressing the risk premium the market had priced in for conflicts in the regions earlier in the year.
- The real impacts of declining oil prices continue to dampen against the ever strengthening Dollar reaching a 5-year high against a basket of currencies including the sterling.
- The price has been declining since the OPEC meeting, and is expected to reach the \$40 mark or lower, which is perceived to be the 'shut-in' price for some producers including the US.

#### 5. India

##### Lines to Take:

- REDACTED SECTION 27  
Thank you for participating in "GREAT Collaborations" showcasing the partnership between BP and India's Reliance Industries Limited
- What are your future plans for your operations in India?  
How much do these plans depend on a swift and positive outcome on the gas pricing?

##### Background

##### BP India

- BP is both the UK's single largest investment into India and the single largest Foreign Direct Investor into India.
- BP India's activities include Castrol lubricants, petrochemicals licensing with RIL and JBF Industries, oil and gas trading, offshoring into India, staffing and training its global

marine fleet, recruiting Indian talent for its global businesses and its E&P partnership with Reliance Industries Ltd.

- REDACTED SECTION 43

### **Gas Pricing**

- In November, the Cabinet Committee on Economic Affairs (CCEA) approved a new domestic gas pricing policy increasing domestic gas price from current \$4.2/ mmbtu to \$5.61/ mmbtu. The price will be revised every 6 months.

REDACTED SECTION 43

REDACTED SECTION 43

### **GREAT Collaboration**

- In response to Prime Minister Narendra Modi's call to the world to Make in India week, the UK launched a campaign to celebrate and inspire GREAT Collaborations between the UK and India on 10 January 2015.
- The partnership between UK's BP plc and India's Reliance Industries Limited (RIL) is in developing and producing much needed energy is a strong example of the "GREAT Collaboration".

## **6. (If raised) Russian sanctions**

### **Lines to Take:**

- **We are pleased an agreed set of definitions has now been published by the EU. Know how important these are for industry and hope they will address a number of BP's concerns.**

REDACTED SECTION 43

### Background:

#### **EU definitions of Russian sanctions**

- The EU published the definitions of Russian sanctions on Friday 5 December. They are closely aligned with those of the US (meeting the UK's objective).

REDACTED SECTION 35 and 43

#### **Application for licences**

REDACTED SECTION 43

## Annex A: Biographies



**Dev Sanyal - Executive Vice President, Strategy and Regions:** Dev is responsible for Europe, Asia, strategy and long-term planning, risk management, government and political affairs, policy and group integration and governance. Dev joined BP in 1989 and has held a variety of international roles in London, Athens, Istanbul, Vienna and Dubai.

He was appointed chief executive, BP Eastern Mediterranean Fuels in 1999.

In 2002, he moved to London as chief of staff of BP's worldwide downstream businesses. In November 2003, he was appointed chief executive officer of Air BP. In June 2006, he was appointed head of the group chief executive's office. He was appointed Group Vice President and Group Treasurer in 2007. During this period, he was also Chairman of BP Investment Management Ltd and accountable for the group's aluminium interests. In January 2012, he became Executive Vice President.



**Peter Mather - Regional Vice President for Europe, BP:** Peter was appointed the BP Group Regional Vice President for Europe in April 2010. Before this he was Head of Country, UK and Vice President Europe Region. Peter has kept his UK roles as part of his expanded European brief. Peter's current role has overall responsibility for the governance, reputation, co-ordination and integration of all BP's activities across Europe.

He is Chairman of BP Oil UK, BP Lubricants UK, and BP Norway, and sits on the boards of BP Europa SE, BP Spain, BP France and various other internal boards. Peter is a Board member and Vice President of Europia, Concawe, and a Council Member of the Energy Institute and ICC UK. He is also a Trustee of Dartington Hall Trust, an Honorary Director of the Royal Opera House and a Trustee of the BP Pension Fund.

**REDACTED:** EIR 12 (3) and 13 and FOI s40(2) – Personal data

Hi all

With apologies for the delay, and thanks for the briefing, please see below a note of the meeting between SoS BIS and BP on Weds 28 Jan.

**No actions arising.**

Attendees:

Secretary of State, Vince Cable  
Ashley Lumsden, SpAd  
Jonathan Holyoak, Head of International Energy, DECC  
Leo Ringer, Economic Adviser  
REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

Dev Sanyal, Executive Vice President, Strategy and Regions  
Peter Mather, BP Group Regional VP Europe, Head of UK

**REDACTED:** EIR 12 (3) and 13 and FOI s40(2)

Notes

**Discussion of low oil price** – BP set out their analysis of low oil price: OPEC production stable and excess supply from US, mainly shale.. **REDACTED SECTION 43**

**REDACTED SECTION 43**  
REDACTED SECTION 43 and 35

**US-Gulf of Mexico –**

REDACTED SECTION 36, EIR Regulations 12(5)(e)12(4)(e) and section 43 and (12(5)(e)

**Russia -**  
REDACTED SECTION 35 and 43

SoS took note

**India**

REDACTED SECTION 43 and 27

**Egypt**

REDACTED SECTION 43

Actions

None

Kind regards  
REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2) | Department for Business,  
Innovation and Skills |  
Please note that the box closes at 2pm Mon-Thurs and 12pm on Fridays



**Meeting between SoS/Jo Swinson and Shell – 17 July, 1 Vic Street**

Attendees: Secretary of State  
Jo Swinson

Alan McLean (Executive VP, Taxation – Shell)

**REDACTED:** EIR 12 (3) and 13 and FOI s40(2)

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

The SoS summarised BIS thinking on Shell's two main concerns

REDACTED SECTION 43 and EIR 12(5) (e) 12 (4) (e)

REDACTED SECTION 43 and EIR 12(5) (e) 12 (4) (e)

**Penalties**

**REDACTED SECTION 43 and 35 or alternatively 36 EIR Regulation 12(5)(e) and EIR Regulation 12(4)(e)**

**Conflict of laws**

**REDACTED SECTION 43 and 35 EIR Regulation 12(5)(e) and EIR Regulation 12(5)(f) and EIR Regulation 12(4)(e)**

**Date of implementation**

**REDACTED SECTION 43 & 35 EIR Regulation 12(5)(e) and EIR Regulation 12(5)(f) and EIR Regulation 12(4)(e)**

**REDACTED SECTION 35 and EIR 12 (4)e**

Kind regards

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

**REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)**

## Briefing for Vince Cable meeting with Shell – 11<sup>th</sup> November 2014

### Steer

You are meeting with Shell for a global gas market briefing. This meeting follows on from a previous meeting in April and is an opportunity for them to share their own analysis and outlook. Shell does not have any specific issues to raise but have suggested the agenda covers the global gas demand and supply picture (particularly LNG), gas storage and UK power market coal-gas switching.

You may also wish to use this opportunity to thank Shell for their £1 million investment in the Tomorrow's Engineers employer engagement programme and their recognition of the importance of encouraging future engineers.

### Points you may wish to make

- Gas and electricity prices remain a key concern for many BIS stakeholders and I would welcome an update from you on the latest market trends.
- REDACTED SECTION 35
- REDACTED SECTION 35 and 43 and EIR Regulation 12(5)(e)

### Key points likely to be raised by Shell

#### *Global gas supply and demand*

- Although current market conditions vary across the world, the overall outlook for natural gas is strong. According to the International Energy Agency, consumption in 2035 is higher than present day with the biggest increase in demand in China, the Middle East and North America.
- New sources of gas, both conventional and unconventional bring additional diversity over this period. Despite uncertainties surrounding the outlook, the majority of gas analysts expect global LNG demand to rise from 328bcm in 2012 to 430-546bcm in 2020, driven by Asian Pacific regions.

#### *Gas Storage*

- The commercial incentive of investing in the gas storage market has decreased over the last 5 years as gas price volatility has reduced, resulting in lower profitability in storage facilities which take advantage of price differentials. This is due to the declining role of UKCS's "swing fields", and the development of new import infrastructure, granting a steady and diversified flow of gas supply.

#### *UK power market coal-gas switching*

- Between June and August, the share of gas in the generation mix was 39% whereas coal accounted for 19% of the total electricity produced. This was a reversal of the trend over the prior 3 months, where gas and coal's shares were respectively 25% and 36%.



- This switch was mainly due to a combination of maintenance outages at coal plants as well as a marked increase in the short term profitability of gas generation. Coal-fired generation is likely to remain more profitable than gas generation over the coming quarter.

## Background

### *Global gas demand and supply picture particularly LNG*

1. At the end of 2013, there was 414 bcm liquefaction capacity online globally. The three biggest LNG suppliers in 2012 were Qatar (32%), Malaysia (10%) and Australia (9%), who largely supplied the Pacific market. Re-gasification capacity totalled 909 bcm and was spread across 23 countries.

### REDACTED SECTION 43

2. Global LNG has traditionally been traded under oil-linked long-term contracts between suppliers and purchasers. However there has been an increase in short-term and spot trading from 5% of all trade in 2000 to 31% in 2012. Pressure is emerging from Asian buyers to move away from oil-linked pricing, but it is unlikely that this will happen soon as large existing suppliers (e.g. Qatar) and major medium-term suppliers (Australia) are defending oil-indexation<sup>1</sup>. The IEA comment that this pricing mechanism will remain dominant in global LNG trade for at least another 12 years.
3. US LNG has the potential to accelerate a shift away from oil-linked pricing. US exporters have already signed contracts with Asian portfolio suppliers linked to Henry-Hub prices. Asian buyers hope that this is the start of a shift to LNG pricing which reflects the supply and demand fundamentals for gas but the uncertainties are currently around how much US LNG will be supplied, and when.

### *Gas Storage*

4. The UK has the most liquid and one of the largest gas markets in Europe with extensive import infrastructure and a diverse range of gas supply sources. We are therefore well placed to manage gas supply risks.
5. Government has a market-led approach to gas security and gas infrastructure generally. A Government decision not to intervene to incentivise gas storage was announced by DECC in Sept 2013. Shell supported this decision. This was underpinned by analysis undertaken by independent consultants in 2013 which did not support intervening in the market to support storage: the costs of intervening outweighed the benefits, the risk of disruption is low, and market intervention may lead to unintended negative consequences.
6. Despite its important role in the gas market, gas storage is only a part of the overall picture, which includes domestic production, LNG terminals, pipelines from Norway, and interconnectors with Europe.
7. The commercial value of storage has declined over the last 5 years, following a reduction in gas price volatility and decline in spreads between the summer and winter gas price. As the spread between winter peak and lower summer prices narrows, storage facilities are less able to take advantage of price differentials when

buying gas in times of low demand, and re-selling it at higher prices. Lower volatility of wholesale gas price led to a decline in the profits made by storage operators, deteriorating investments opportunities in the storage sector.

*UK power market coal-gas switching*

8. Clean spark spreads are a rough approximation of the gross profit earned by gas plant, while clean dark spreads are the equivalent for coal. The spreads measure the difference between the wholesale price of electricity and the combined fuel and carbon costs (including Carbon Price Support) involved in generating that electricity.
9. Clean dark and spark spreads are calculated based on a reference efficiency of 35% for coal and 49% for gas. This means that gas plants with a higher efficiency than 49% may be more profitable than the spark spreads suggests, while coal plants with efficiency of less than 35% may be less profitable than the dark spread suggests.
10. In addition, these spreads are averages and based upon baseload electricity prices. Plants may still be able to operate profitably during months with a negative average spread, for example by generating at peak times when real-time spreads will be higher.
11. Average monthly clean spark spreads increased from £ 3.36/MWh in June to £ 4.37/MWh in August; the highest level since April 2013. Moreover, due to a falling trend in clean dark spreads, the difference between clean dark and clean spark spreads dropped significantly over the summer months, improving the relative profitability of gas generation.
12. However, forward spreads, which represent future market expectations, suggest that coal-fired generation will remain more profitable than gas generation over the coming quarter. In September, coal and gas each accounted for 33% of the electricity produced.

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

**From:** Cable MPST <mpst.cableold@bis.gsi.gov.uk>

**Sent:** Wed 08/04/2015 16:41

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

**To:** Edwards Stuart (EMA) <Stuart.Edwards@bis.gsi.gov.uk>;

Holyoak Jonathan (International Energy EU and Resilience)

<Jonathan.Holyoak@decc.gsi.gov.uk Perm Sec (BIS) <perm.sec@bis.gsi.gov.uk>;

Hancock MPST. <MPST.Hancock@bis.gsi.gov.uk>; Swinson MPST

<MPST.Swinson@bis.gsi.gov.uk>; Perm Sec (BIS) [perm.sec@bis.gsi.gov.uk](mailto:perm.sec@bis.gsi.gov.uk)

**Subject:** Eric Bonino, Shell, offering a call to Vince

Hi all,

Here's a readout of the call today between SoS and Eric Bonino (EB). No actions are necessary.

- SoS said his main interest is to understand the implications of the deal on the UK economy, as well as any impact on jobs.
- REDACTED SECTION 43 and 35

REDACTED SECTION 43

REDACTED SECTION 43

Many thanks,

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

Iain Conn  
Group Managing Director



BP plc  
1 St James's Square  
London  
SW1Y 4PD  
United Kingdom

10<sup>th</sup> November, 2014

The Rt Hon Vince Cable MP,  
Secretary of State,  
Department for Business Innovation & Skills,  
1 Victoria Street,  
London,  
SW1H 0ET

ER 12(3) and 13 and FOI 40(2)

*Iain Conn*

At the end of July BP announced that after more than 10 years as a Director on the BP plc Board and nearly 7.5 years running BP's Downstream businesses, I will be leaving the Group at the end of 2014 after a 29 year career. It is the right time to hand over my responsibilities to ready and very competent successors, something I have been contemplating for some time and which feels absolutely right.

ER (12) 4(i)

My career with BP has been diverse, hugely energising and something I will always treasure.

On January 1st 2015 I will be joining Centrica plc as CEO. I am looking forward to the considerable challenge of leading an international energy company spanning upstream, midstream, and centred around material customer-facing businesses on both sides of the Atlantic. Centrica is the UK's largest energy provider, and has built a material position in North America and Ireland, while also establishing a solid upstream natural gas portfolio in a number of countries including Canada, Norway, the UK, and the Netherlands. It also has a growing midstream natural gas presence built around positions in the UK, the US, and Qatar and participates in power generation in the UK.

On October 1st I handed over my day-to-day responsibilities as CEO of BP's Downstream to Tufan Erginbilgic. My Group responsibilities for Europe and Asia Pacific have been assumed by Dev Sanyal, EVP Strategy and Regions. Both are very experienced, and Tufan has been most recently running BP's Fuels business globally, having also been previously responsible for Lubricants. Tufan has been on the executive team of the Downstream for over 5 years.

EIR 12(3) and 13 and FOI 40(2)



EIR 12(4)(i)

The most meaningful part of the last 29 years has been the depth and breadth of relationships I have been able to build around the World, both externally and internally within BP.

EIR 12(4)(i)

The regular dialogue has proved to be of great value and, I think, has demonstrated the benefits of the model.

EIR 12(4)(i)

EIR 12(3) and 13 and FOI 40(2)



I would like to take this opportunity to thank you once again for our relationship and for the trust you have shown both in me and in BP over recent years. I hope that we can remain in contact.

Yours sincerely, and with very best wishes,

A handwritten signature in cursive script, appearing to read 'Iain Conn'.

**Iain Conn**  
Group Managing Director, BP plc

*I look forward to a continuing relationship in 2015.*



Department  
for Business  
Innovation & Skills

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Group Managing Director  
BP plc  
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Our ref: 2014/26443  
Your ref:

4 December 2014

Thank you for taking the time to write to me about your departure from BP.

I would like to take this opportunity to thank you for the open and collaborative approach you have taken to working with Government, especially with my department and for your contribution to developing our strategic relationship with BP.

I have greatly valued your candid exchange of views in our regular meetings, which have provided valuable insight into the challenges facing the oil and gas sector; and I am pleased that you have found it of great benefit. My office has already made contact with one of your successors, Dev Sanyal, to arrange a meeting later in the year to continue this constructive dialogue.

I wish you the very best in your new role at Centrica and look forward to working with you again in the future.



**VINCE CABLE**

Secretary of State for Business, Innovation and Skills

## Guidance for Contact Ministers

1. Contact Ministers have a crucial role in strengthening the relationship between Government and companies. Contact Ministers will represent the whole of Government in interactions with these companies, make sure information is shared effectively across departments and ensure that relationships encourage increased investment and exports.
2. The Contact Ministers role will be to ensure:
  - a. the objectives of the company are understood;
  - b. there is coordinated development of HMG's strategic aims for the relationship, ensuring contributions are taken from all relevant departments; and
  - c. Government's relationship with the company supports the fundamental goal of encouraging trade and investment.
3. Contact Ministers will be supported by a virtual team of officials from across Government. To ensure that these officials pull in the same direction, the relevant Contact Minister will ensure a cross-HMG strategy is in place for each individual relationship, reflecting the priorities of both Government and the company.
4. It is anticipated that Contact Ministers will acquire a firm understanding of companies to which they are assigned, including meeting with them frequently (at least every six months), and that this understanding is communicated across Government. Senior Officials managing relationships and leading virtual teams will be a valuable source of information.
5. However, the Contact Minister role does not replace other Ministers' responsibility for day to day interactions with companies as part of their normal departmental business. These interactions should continue and be reinforced by developing strategic relationships.
6. If Contact Ministers intend to make decisions affecting their SRM companies, or their competitors, as part of their departmental ministerial responsibilities, they should first seek the advice of their Senior Official. It may be necessary, to seek advice from Government lawyers.
7. In carrying out their role as Contact Minister, Ministers should continue to abide by the Ministerial Code of Conduct (link below), in particular section 7 on Ministers' Private interests.
8. As stated in the Ministerial Code, It is the personal responsibility of each Minister to decide whether and what action is needed to avoid a conflict or the perception of a conflict. If there is any ambiguity about whether action may need to be taken the Minister should take advice from their Permanent Secretary, the independent adviser on Ministers' interests or Sue Gray, Director General of the Propriety and Ethics Team.

Ministerial code of conduct link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/61402/ministerial-code-may-2010.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/61402/ministerial-code-may-2010.pdf)

**ANNEX A: Information Partially Submitted Under Previous FOI on Russia**

To Vince Cable, Secretary of State, BIS  
From REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

**Vince Cable Strategic Relationship Management Meeting with BP  
Monday 1<sup>st</sup> September, 2014 at 3.15 - 3.45**

**Attendees**

- **Iain Conn** – BP Chief Executive Refining and Marketing
- **Peter Mather** – BP Group Regional Vice President Europe, Head of UK  
REDACTED SECTION EIR 12 (3) and 13 and FOI s40
- **Jonathan Holyoak** – Head of International Energy at Department of Energy and Climate Change

**Purpose**

This meeting forms part of your regular engagement with BP as their SRM Contact Minister. You last met Iain Conn and Peter Mather on Monday 13th January, 2014.

**Agenda**

To Note:

- Iain has been appointed CEO of Centrica and will take up the position on 1st January 2015.
  - You may like to congratulate Iain on his new role and express enthusiasm for working with Iain in his new role in the future, and with Iain's successor at BP.
1. US – Gulf of Mexico Oil Spill Court Actions
  2. Impact of Russian sanctions
  3. Iraq/ISIS and its impact on BP's business
  4. Environmental legislation impacting Kinneil plant
  5. (If raised) Rhum Oil Field and workaround for Iranian financial sanctions

**Attachments:**

**Annex A: Biographies; REDACTED SECTION EIR 12(4) (e), FOI section 43, EIR 12(5)(e) & EIR 12(5)(f) Annexes C: BP's Second Quarter 2014 Results**



## 1. US – Gulf of Mexico Oil Spill Court Actions

**Lines to Take: REDACTED SECTION EIR 12 (5) (a) and 12 (4) (e)**

### Background

- Claims against BP following the Gulf of Mexico oil spill have continued to mount – payments to date amount to some \$24 billion.
  - June this year, BP secured its first new contract with the US Federal Government since the US Environmental Protection Agency lifted its debarment against the company in March. The Government supported BP's efforts to overturn the EPA ban by submitting a UK Government amicus brief in December last year.
  - **REDACTED SECTION EIR 12 (5) (a) and 12 (4) (e)**
  - The Federal Court's decision allowed claims to be paid out to Gulf Coast residents and businesses who asserted they had suffered economic loss as a result of the Deepwater Horizon oil spill, REDACTED SECTION 36, EIR 12(4)(e) and EIR 12(5) (e)
- REDACTED SECTION REDACTED SECTION EIR 12 (5) (a) and 12 (4) (e)**
- the Court hears only 75 of the 8-9000 cases submitted each year.
- REDACTED REDACTED SECTION EIR 12 (5) (a) and 12 (4) (e)**

### **Impact of Russian Sanctions**

#### **Lines to Take:**

- **What has been the impact of the current sanctions regime on BP's business?**
- **What are BP's major concerns about future plans for sanctions?**
- **Are you satisfied with the way Government departments are engaging with you on this issue?**

### Background

BP's exposure in Russia and Ukraine:

- Upstream Exposure through Joint Ventures with Rosneft:
  - Equity share in Russian oil company Rosneft worth \$15bn. BP's share of Rosneft's proved resources is 6.6bn barrels of oil equivalent.
  - BP's receives annual dividends of between \$700m-£1bn
  - Bob Dudley, BP CEO, is on the Rosneft board.
- Downstream Exposure:
  - BP's lubricants business in Russia and Ukraine has annual turnover of £250m.
  - Air BP and BP marine have respective sales in Russia of under \$10m annually.

- BP is operator of JV with Rosneft which controls 20% of German refining capacity.
- REDACTED SECTION 43
- Russian company Lukoil has 10% share in BP operated Shah Deniz field in Azerbaijan (BP's most significant investment in the country).
- Employees
  - BP's headcount in Russia and Ukraine is around 300.
- REDACTED 35 & 43

## 2. Iraq/ISIS and its impact on BP's business

### Lines to Take:

- REDACTED SECTION 35
- **UKTI see Iraq's oil and gas sector as a significant opportunity for UK companies, and I know they are working closely with BP Iraq, in particular your Chief Procurement Officer Philip Usherwood, to help reinforce your supply chain through its High Value Opportunity programme.**

### Background:

- Despite the current political and security background, Iraq continues to earn US\$ 7 - 7.5 billion each month from largely uninterrupted oil revenue streams. With the exception of the Kirkuk fields (where BP has a stake, see below), Iraq's hydrocarbon reserves are located primarily in the two thirds of the country that remain relatively unaffected by the current security crisis - the Shia dominated south and the Kurdistan Region in the north and north east.
- Iraq is OPEC's second largest producer of crude oil, currently producing about 3.3 million barrels a day, about 4% of the world's total supply. BP's main interest in Iraq is its 38% share of a contract with the China National Petroleum Corporation (37% share) and Iraq's state-owned South Oil Company (25% share) to increase production from the Rumaila "super-giant" oilfield near Basra in southern Iraq. Signed in November 2009, the 20 year contract aims to increase plateau production from the field to 2.85 million barrels per day in the second half of this decade. By 2016, production at this rate will mean that Rumaila will account for a projected 3% of global oil production, 7% of OPEC production, and 10% of Middle East production. The company has historical knowledge of the field dating back to its discovery in 1953.
- More recently, in September 2013 BP reportedly entered into an agreement to work with Iraq's North Oil Company to revive the giant Kirkuk oilfield, allowing the company to negotiate access to significant reserves in the north in return for helping to arrest a huge decline in output from the field, which had been badly mismanaged during the Saddam era. The Kurdish Regional Government was reportedly opposed to this deal. Following the sudden collapse of the Iraqi Security Forces in the Kirkuk region early this summer in the face of ISIL advances, Kurdish Peshmerga forces rapidly asserted authority over the area covered by the field, including the town of Kirkuk. The Kurds are unlikely to concede security control in this area again.

### 3. Environmental legislation impacting Kinneil plant

#### Lines to Take:

- **REDACTED EIR 12(4)(e)**
- **From your perspective, how do you think the process of influencing other European member states is progressing?**

#### Background

- The BP Kinneil Refrigerated Liquefied Petroleum Gas (RLPG) facility at Grangemouth cools, liquefies and stores the hydrocarbon gases propane and butane that are extracted from the oil that flows through the Forties Pipeline System (FPS).

Redacted section 43

- A material known as 'HCFC22' (or Freon) is used as a refrigerant at the facility. Freon is forbidden under European regulations restricting the use of ozone depleting substances. The plant currently has an exemption but this expires at the end of this year.
- FmSince 2009 BP has been trying to identify and install an alternative to Freon. This process is complex due to a range of issues including the design and constraints of existing infrastructure and by the location (including its proximity to areas of special scientific interest). Initial work focussed on two potential alternative refrigerants but issues arising with the feasibility of these alternatives meant that a third alternative has had to be identified. This has delayed the process towards making the site compliant which means it will not now be possible to complete installation and commissioning of a viable alternative at the Kinneil site before the exemption expires at the end of the year.

REDACTED SECTION 12(4)(e)

#### 4. (If raised) Rhum Oil Field REDACTED SECTION 35 and EIR 12(4) (e)

#### Lines to Take:

- **DECC is making excellent progress, under the temporary management scheme, to allow the production and sale of the Iranian Oil Company's interest in production from the Rhum gas field, which will pave the way for production to restart later in the near future and DECC staff greatly appreciates the support of BP in this effort.**

#### Background:

- The Rhum field is a medium sized North Sea gas field, located east of the Shetland Islands. The field was developed by BP (Operator) and the Iranian Oil Company, and production began in 2005.
- In late 2010 production was halted, due to international sanctions against Iran; the Iranian Oil Company is an entity designated under EU sanctions and a licensee in the Rhum licence.

- In 2013 EU regulations allowed derogation from certain restrictions in relation to activities related to hydrocarbon production. Subsequently, UK regulations came into force which established a power for the Secretary of State to take a UK oil or gas licence into his control under a temporary management scheme, where the licence holder is designated under EU sanctions against Iran. This power has been exercised in relation to the Rhum field for the necessity:
  - To avoid or remediate environmental damage; or
  - To prevent permanent destruction of the value of the Rhum licence.
- Through 2014, DECC has been putting in place arrangements to resume production from the Rhum field around the fourth quarter of the year. This includes contracting external support and progressing commercial agreements for the processing, transportation and sale of Rhum hydrocarbons.
- Relationships with the field operator (BP) are mainly strong and well aligned.
- The ramp-up of production from the Rhum field is somewhat uncertain, due to potential operational problems following the prolonged shut-in of the field. The Rhum gas contains a small amount of carbon dioxide, and it is necessary to blend this Rhum gas with that from other fields in order to be saleable in the National Transport System. Arrangements to access blending gas are also being pursued to allow the field to produce at its full potential.

## Annex A: Biographies



Iain Conn - Executive Director, BP: Iain Conn is leaving BP and joining Centrica as CEO. His appointment takes effect from 1 January 2015. Iain was appointed an Executive Director of BP on 1 July 2004. In addition to his position as Chief Executive, Refining and Marketing, he has regional responsibility for Europe, Southern Africa and Asia. He also has responsibility for

the BP brand and related matters. Iain joined BP Oil International in 1986, working in a variety of roles in oil trading, commercial refining and exploration before becoming, on the merger between BP and Amoco in 1999, Vice President of BP Amoco Exploration's mid-continent business unit. Iain Conn is a Non-Executive Director and the Senior Independent Director of Rolls-Royce Holdings plc. He is Chairman of the Advisory Board of Imperial College Business School and a member of the Council of Imperial College.



Peter Mather - Regional Vice President for Europe, BP: Peter was appointed the BP Group Regional Vice President for Europe in April 2010. Before this he was Head of Country, UK and Vice President Europe Region. Peter has kept his UK roles as part of his expanded European brief. Peter's current role has overall responsibility for the governance, reputation, co-ordination and integration of all BP's activities across Europe. He is Chairman of BP Oil UK, BP Lubricants UK, and BP Norway, and sits on the boards of BP Europa SE, BP Spain, BP France and various other internal boards. Peter is a Board member and Vice President of Europia, Concawe, and a Council Member of the Energy Institute and ICC UK. He is also a Trustee of Dartington Hall Trust, an Honorary Director of the Royal Opera House and a Trustee of the BP Pension Fund.

**Redacted: EIR 12 (3) and 13 and FOI s40(2)**

REDACTED SECTION EIR 12(4)(e), FOI section 43, EIR 12(5)(e) and EIR 12(5)(f)

## Annex C: BP's Second Quarter 2014 Results

On 29 July 2014, BP announced its financial results for the second quarter of 2014.

The company's underlying replacement cost profit for the quarter of 2014 was put at \$3.6 billion, 34 per cent higher than the \$2.7 billion reported for the same period in 2013 and 13 per cent higher than the \$3.2 billion result for the first quarter of 2014.

The company also announced a quarterly dividend of 9.75 cents per ordinary share, the same level as the previous quarter but 8.3% higher than a year earlier. As previously announced on 29<sup>th</sup> July 2014, BP's board will review the level of the dividend with the first and third quarter results each year.

BP Group Chief Executive, Bob Dudley, said "this was another successful quarter, delivering both operational progress and robust cash flow. We are continuing to ramp up the major new projects that drive delivery of cash flow and are also now seeing benefits from our focus on operating with greater reliability and efficiency.

"This operational momentum keeps us well on track to meet our 2014 targets and underpins our longer-term commitment to grow distributions to our shareholders."

The company added that rising oil and gas production from new and recently-started higher-margin upstream projects and increased processing of heavy crude oil by the newly-modernised Whiting refinery contributed to operating cash flow of \$7.9 billion in the quarter, helping operating cash flow for the first half of 2014 to total \$16.1 billion.

The company also said as far as exploration was concerned, it had participated in 10 completed wells to date in 2014 which have so far resulted in two significant discoveries – Notus in Egypt and Orca in Angola, saying it expects to have completed 15-17 wells over the whole year.

Dear All

With thanks to those of you who contributed to the briefing, please find below a note of Vince Cable's Meeting with BP last Monday.

Thanks

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

### **SRM Meeting – Vince Cable and BP**

**1 September, 2014**

#### **Attendees:**

- Rt Hon Vince Cable, SRM Contact Minister for BP and SoS for BIS
- Martin Donnelly, SRM Senior Support for BP and Perm Sec for BIS
- REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)
- Jonathan Holyoak, SRM Senior Official for BP
- REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)
- Iain Conn, Chief Executive Refining and Marketing, BP
- Peter Mather, Group Regional Vice President, Head of UK, BP

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

#### **Iain Conn's Departure**

When IC leaves his role at the end of 2014 his role will be split and partly delegated to Peter Mather and REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2)

- and partly taken on by Dev Sanyal who will become Executive VP for Strategy and Regions.

#### **Southern Corridor**

REDACTED SECTION 35

##### **In Amenas**

- Coroner's Inquest expected to start within the next week which could lead to a resurgence of interest in the terror attack. (N.B. on 2 Sep BP informed the SRM team that the Inquest had been postponed by some months)

#### **Court Cases in US**

REDACTED SECTION 35 and EIR 12(4)(e)

##### **Russia**

REDACTED SECTION 35 or and EIR 12(4)(e)

##### **Iraq**

REDACTED SECTION 35 and 43

#### **UK Implementation of Accounting Directive**

REDACTED SECTION 35 and 43 EIR

REDACTED SECTION EIR 12 (3) and 13 and FOI s40(2) and 36

- REDACTED SECTION 35, and 43 EIR

#### **Kinneil Freon Issue**

- REDACTED SECTION 35 and 43 EIR