

bp



British Petroleum

A global company in a global world

Homework:
Project "Globalisation"
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A profile of the company

The BP group was founded in 1909 after the discovery of oil reserves in the Arabian world (in the area that is nowadays Iran) under the name of “Anglo-Persian Oil Company” as a company of the British Empire. In 1954 the company was forced to expand to oil reserves in the North Sea and Alaska and was renamed into British Petrol because of the nationalisation process in Iran. Since its foundation BP was a worldwide orientated company with its focuses on America and Europe - because it produced goods on which many countries depended and which could not be produced by themselves. In the late 1980s the business got to an all-time-low because of the sell-off of the UK government’s last share-block (31.5%) - that meant now a completed privatisation. As a consequence the share prize fell to £1.85 and on Black Monday the company was weakened even more. This lead to a big crisis of the company and between 1992 and 1995 a reorganisation took place.

The business of today’s company is divided into four main sectors (streams): (1) **Exploration and production** of oil and gas spread all over the world. On five continents BP owns or part-owns 24 refineries for oil (62% of the company’s total production) and natural gas (38%). (2) **Processing and marketing** of natural oil into products for customers. BP owns 29,200 service stations (USA 15,000, Rest of the World 14,200). (3) **Petrochemical processing**: For producing chemical products BP owns 38 factories worldwide. (4) **Gas, energy and renewable energy** (BPsolar). Especially the growing market for gas becomes more and more an important sector for the BP group. The solar power capacity is at the moment at 67 Megawatts a year.¹

All together BP is the second largest company in the oil industry and the 8th largest company in the world and employs 115,250 people² with hundreds of different professions. 2002 there have been revenues of \$179 billion and a return (without exceptionals) of \$4.7 billion. BP has

¹ Cf. http://www.bp.ag/content/pages/Die_internationale_BP.php

² Dec. 2002

got a market capitalisation of \$152 billion and nearly 1 million shareholders.³ The turnover of the company lies on a *daily amount* of 2.0 million barrels of crude oil (production), 8.7 billion cubic feet of natural gas and 6.6 million barrels of petrochemical output (one Barrel = 159 Litre). This unbelievable amount of products is sold in over 40 countries in the world: in Europe, North and South America, Asia, Australia and big parts of Africa.⁴ This global network has been realised and is actually still extended by cooperation and mergers with dozens of other companies since the early 1980s. By this reason the number of subsidiaries is nearly uncountable. I could not find any lists showing even nearly the complete global network of BP; consequently I'll give just some examples. The most important mergers in BP's history took place in 1998 with Amoco (founded 1889) and 1999 with ARCO (1866), both US-American firms. The merger with Burmah Castrol (in 2000) took place as an acquisition. These big mergers, extending the global BP group, brought many subsidiaries themselves into the group, so that reorganisations have been necessary. That meant the sell off of many little firms that did not fit in the company's adjustment. An interesting merger which followed an increase of the company's activity in Germany took place in 2002 with ARAL, one of the leading Petrochemical Companies in Germany. Just this merger or you should better say takeover (because it's not been a merger of two equal firms like with Amoco or ARCO) brought 28 subsidiaries to the concern and Aral itself consisted of two big groups, the Aral group and Veba Oil, which merged in 1998.

The capacity of BP increased since 1997 very much so that BP has today assets of oil in the North Sea and on Shetland but also in the United States and Alaska and in the Gulf of Mexico. The biggest gas reserves are in the United States, in South America, in China and Indonesia. For transport BP owns and operates a global network of pipelines that's length lies over 25,700 miles⁵. Furthermore an international tanker fleet of more than 40 vessels belongs to the BP

³ Cf. http://www.bp.com/company_overview/overview.asp

⁴ Cf. http://www.bp.com/company_overview/profile/energy.asp

⁵ Cf. http://www.bp.com/company_overview/profile/refin_trans.asp

group. We now have to ask why such an incredible big network is really necessary and which affects it has on the company's activities.

BP and globalisation – positive and negative aspects

It first sounds a bit strange to say “positive aspects of BP's global position”, but BP is very interested in questions of environment and in commitment in social issues. But first of all I will ask the question why BP does not inform the interested users of its internet-homepage about the whole group-network and its subsidiaries. Like I mentioned it was really impossible to get an overview about the company's subsidiaries and parts. By this reason I suppose the networks structure to be so difficult that they just do not want to allow the user a look behind the set.

Of course it is likely that they use this global network to make the company more efficient and to rationalize the producing process. It is generally known that in most cases after mergers follow the reduction of jobs and employees working for the company; administration and e.g. transport could be brought together to save money and to make production proficient.

But there is another point of view, too: the global network can also be used to save taxes: the company is able to sell and buy products between firms that belong to the network - so that for example returns become a loss (because you have to pay taxes only for returns) and even losses can be turned into returns to keep the reputation up and furthermore the price of the shares.

These are aspects of globalisation and company-networks which normally work in many cases.

“Safety is a paramount concern throughout the lengthy chain from well-head to service stations and consumers of chemical products. Performance contracts for BP staff include measurements designed to improve safety. Although our record shows steady improvement, even higher standards are being set for the future.”⁶

But there are special problems for BP, too. From its foundation, BP was forced to act global because oil mostly could not be sold where it was “produced” (e.g. in Alaska) and many countries were interested in oil because they did not have some by themselves. And, of course, oil is a topic very closely linked to questions of security and environment and causes

⁶ http://www.bp.com/company_overview/profile/energy.asp

sometimes conflicts with environmental groups and non-governmental organisations (NGO). For BP it means that they have to stress out every time their interests to find solutions for environmental problems and for their commitment for nature. In spite of this efforts there are conflicts with NGOs like for example Greenpeace:

On Greenpeace's homepage you can see new articles about BP and its activities in sensitive regions regularly. Alaska is a very current example: Some years ago huge oil reserves were discovered in deep Alaska. Since then BP argues as well with the American government (which mostly supports BP's demands) and with NGOs like Greenpeace about the permission to produce oil there. Greenpeace says that using these oil reserves would mean a big danger for the whole ecological system including unique species of animals (and flowers, too) and up until now unspoilt areas and the start of producing would probably start pollution of air and soil.⁷

"Hamburg, 11.8.97. Greenpeace swimmers have stopped since Sunday several times the platform Stena Dee that is supposed to be dragged to the pool Foinaven in northern Atlantic. The swimming colossus is engaged since Saturday also by two Climbers in the afternoon. Six Climbers from the "MV Greenpeace" and the "Rainbow C" had climbed to the platform on Saturday in spite of vehement sea and attached banners with the label "NO NEW OIL" there".⁸

The conflict between conservationists and BP sometimes escalates in such dangerous activities of NGOs like Greenpeace. Like in this case the activists often are just ignored by the companies or removed by the police. The Stena Dee platform worked as planned although there were great dangers of accidents because BP had to use a new technique to extract the oil from the ground. Nevertheless oil companies loose from time to time against environmental activists like the Shell group in the famous quarrel about the disposal of the "Brent-Spar" platform. Shell wanted to dispose the platform by sinking the platform in the North Sea but Greenpeace hindered them to do this. This was possible because oil and environmental-linked topics are very famous among people. Greenpeace has a very good reputation, people like

⁷C.f. http://archiv.greenpeace.de/GP_DOK_3P/HINTERGR/C10HI17.HTM

⁸ http://archiv.greenpeace.de/GP_ARCHIV/HOME/PAGE/A970811.HTM [Translated]

them; and by bringing the conflict to the public (the Brent-Spar discussion was in all newspapers and on television) Greenpeace won the support of them. Shell then couldn't afford to get a bad reputation by polluting the North Sea and so they had to relent. A similar problem is the transportation network, mainly the vessels. We often hear about tanker accidents that lead to a pollution of hundreds of beaches and to the death of thousands of fishes and sea birds. With the intention of getting a good reputation in the public, BP is concerned in these issues:

We're doing things differently, listening to the concerns and criticisms of real people, letting them know what we as a company are doing. It's about openness, honesty and a commitment to change. ⁹

BP has recognized the necessity to take the best efforts possible for a good reputation; because in a global world local problems and conflicts become global problems and conflicts. On the BP website you can find this statement above. If you are interested in, you can take a view on this campaign (see page 7) and BP's strategy to improve their reputation is very interesting!

For the global BP group, globalization meant and means...

- v "Deregulation": market have been opened (like the market in China) so that BP has access to new markets for new products; former public companies have been privatized so that new mergers and acquisitions have been possible
- v "Consolidation": after crises and conflicts a rework of the company's structure had been necessary, "non-core activities were sold out".¹⁰
- v "Dispute": many conflicts not only environmental but also social and political took and take place.
 - Columbia: conflict with guerrillas about company's activities
 - Angola: Corruption, revenues from oil-reserves have been used for weapons

BP's efforts against these conflicts have been noticed positively by the public and by NGOs, but the company is criticized for the strong rhetoric and the strategy to go into public with these commitments.

⁹ <http://www.bp.com/bponthestreet/home/default.asp>

¹⁰ <http://www.fni.no/pdf/FNI-R0602.pdf>

"Who cares what people think?"

We do.

At the core of BP is an unshakable commitment to human progress. Our energy products and services contribute to a better quality of life. They provide the freedom to move, to heat, to see. We believe this freedom is inseparable from the responsibility to produce and consume energy in ways that respect both human rights and natural environments.

Confronting this paradox is our lifeblood, but we cannot do it alone. Where others see contradiction and conflict, we see opportunities for mutual progress. We will seek to enable customers, governments, communities and our own people to participate in a constructive dialogue.

The BP on the Street advertising campaign is just one manifestation of our commitment to openness.

No other oil company has ever done this before.

No oil company has ever taken a video camera, walked out into the streets of major metropolitan cities where transportation and air quality are significant public issues, stopped more than 400 random strangers and asked them their thoughts on oil companies, global warming, alternative energy and the environment.

"Would you prefer to have your car or a cleaner environment?"

Their responses were frank and honest. As were ours.

The result - featured in the BP on the Street ad campaign gallery - is an uncensored account of individual comments and opinions, representative of the entire group. Interviews were edited only to fit within the parameters of a 60 or 30-second commercial spot or a full-page print ad.

BP understands the paradoxes of today's world that wants both mobility and a cleaner environment.

We can't do everything at once, but we can do something to address these concerns. We believe that we can show, year by year, that the products we supply contribute to a progressive improvement in air quality - without denying people the freedom of mobility. Ultimately, BP on the Street aims to change the way people think about the company by engaging in a dialogue about the world's growing demand for energy and the challenges in meeting that demand. BP is:

- voluntarily introducing cleaner-burning fuels, six years before EPA mandates and low-sulfur diesel fuel for bus fleets in major U.S. cities
- one of the largest manufacturers of solar panels and the largest user of solar power in the world.
- the largest producer of natural gas in the U.S. and is continuing to invest in new energy sources such as hydrogen and wind.
- investing \$15 billion in the Gulf of Mexico to find and produce new energy suppliers.
- the first oil company to publicly recognize the risks of global climate change and developing innovative technologies to voluntarily reduce our own greenhouse gas emissions - 8 years ahead of schedule.

We are a company that welcomes the opportunity to address real issues - and take decisive action. Through our integration of Amoco, Arco, Castrol and British Petroleum, we are now the biggest oil and gas producers in the U.S. Looking ahead, we know changes in the energy industry will go beyond changes in oil and gas. Today, 110,000 employees in 160 countries are working together to use new technology and innovative practices and achieve dramatic reductions in our own greenhouse gas emissions. Through our investment in renewable energy we have become one of the largest manufacturers of solar panels.

That is the heart of BP on the Street - doing things differently, listening to the concerns and criticisms of people, letting them know what we as a company are doing. It's about openness and our commitment to change.

Help us keep a healthy dialogue going. Send your thoughts and opinions to bponthestreet@bp.com.

It's a start."¹¹

¹¹ <http://www.bp.com/bponthestreet/home/default.asp>