

HOUSTON BUSINESS JOURNAL

BP, EQUINOR INK \$1B WIND DEAL AMID RENEWABLE ENERGY PUSH

BRACEWELL

THE SKINNY

London-based BP PLC (NYSE: BP) has agreed to pay \$1.1 billion to form an offshore wind joint venture with Norway-based Equinor ASA (NYSE: EQNR), formerly Statoil. Both companies have major offices in Houston, and both companies previously announced goals to grow their renewable energy portfolios.

THE DETAILS

The deal is expected to close in early 2021. The \$1.1 billion will buy BP a 50% stake in Equinor's Empire Wind and Beacon Wind assets. Equinor will remain the operator, but the assets are expected to be equally staffed by both companies over time.

The Empire Wind lease area spans 80,000 acres around 15 to 30 miles southeast of Long Island, New York. The area has a potential generation capacity of 2 gigawatts. The Beacon Wind area spans 128,000 acres approximately 20 miles south of Nantucket, Massachusetts, and 60 miles east of Montauk Point on Long Island. It's expected to have total generating capacity of 2.4 GW when fully developed. Both the Empire and Beacon areas are expected to be able to power more than 1 million homes.

Empire Wind's first phase is expected to begin delivering power in the middle of the 2020s. The Beacon Wind project still needs to solicit customers and secure all necessary permits.

The companies also plan to jointly pursue additional opportunities for offshore wind in the U.S. The offshore wind market is expected to reach between 600 GW and 800 GW globally by 2050, Equinor said.

THE BP BACKSTORY

BP, which has its U.S. headquarters in Houston, announced in February its goals to become a net zero emissions company by 2050 or sooner and to help the world achieve a net zero carbon footprint. In August, the company rolled out a strategy to help transition itself to an integrated energy company and achieve five goals by 2030:

- ▶ Reduce emissions from operations by 30%-35% compared to 2019;

- ▶ Reduce emissions associated with the carbon in BP's upstream oil and gas production by 35%-40% compared to 2019;
- ▶ Reduce carbon intensity of marketed products by more than 15% compared to 2019;
- ▶ Implement by 2023 a measurement of methane emissions and begin efforts to reduce it by 50%;
- ▶ Increase investment in low carbon from \$500 million to around \$5 billion a year.



Solar will play a big role in BP's early goals because it's quicker to install than wind farms, Bloomberg reports. The company's in-house trading operations will also help BP make the transition without sacrificing profits because the company's traders are expected to boost returns from renewable energy projects, Bloomberg added.

One day after the Equinor deal was announced, BP and Microsoft announced a partnership that will help both companies achieve their sustainability goals. Part of the deal includes BP supplying renewable energy to Microsoft.

THE EQUINOR BACKSTORY

In 2018, Statoil rebranded as Equinor, eliminating "oil" from its name as part of a shift to become a broader energy company. The company, which has its U.S. upstream headquarters in Houston, also announced in February that it aimed to "reduce its net carbon intensity, from initial production to final consumption, of energy produced by at least 50% by 2050;" grow its renewable energy capacity tenfold to between 4 GW and 6 GW by 2026, with further growth to 12 GW to 16 GW by 2035; and achieve carbon neutral global operations by 2030.

One day before the BP deal was announced, Equinor announced another offshore wind joint venture in Japan. The JV will participate in what will be country's first offshore wind auction.

THE PLAYERS

J.P. Morgan Securities PLC acted as financial adviser to BP, and Bracewell LLP advised Equinor.



OLE JØRGEN BRATLAND

"Our partnership underlines both companies' strong commitment to accelerate the energy transition, and combining our strengths will enable us to grow a profitable offshore wind business together in the U.S."

ELDAR SÆTRE, CEO of Equinor



"This is an important early step in the delivery of our new strategy and our pivot to truly becoming an integrated energy company."

BERNARD LOONEY, CEO of BP PLC