



BP and Rio Tinto today announced the formation of a new jointly-owned company, Hydrogen Energy, which will develop decarbonised energy projects around the world. The venture will initially focus on hydrogen-fuelled power generation, using fossil fuels and carbon capture and storage (CCS) technology to produce new large-scale supplies of clean electricity.

Decarbonised energy projects are based on the conversion of fossil fuel feedstocks such as coal, petroleum coke (a refinery by-product) or natural gas, to hydrogen and carbon dioxide gases, with the carbon dioxide being captured and sent for permanent storage in geological formations deep beneath the Earth's surface.

In power projects, the hydrogen would be used to fuel a gas turbine for generation of industrialscale supplies of electrical power. Full integration with CCS technology would ensure that 90 per cent of the carbon dioxide which would otherwise have been emitted to the atmosphere would be safely captured and stored.

There is rapid worldwide development of new power generating capacity as older power stations are replaced and new plants built to meet growth in demand, particularly in the rapidly expanding economies of the developing world. According to the International Energy Agency, about two-thirds of the generating capacity that will be needed in the next 25 years has yet to be built. Much of the growth will be in countries where coal is abundant and so the fuel is expected to be a significant part of the energy mix.

The recent UN Intergovernmental Panel on Climate Change (IPCC) report into the potential to mitigate the effects of climate change recognised that reducing carbon dioxide emissions from power generation will be vital and that technologies such as CCS will have a key role in meeting the challenge. It also recognises the role of governments in putting in place appropriate regulatory and support mechanisms to enable this to happen.

Hydrogen Energy will benefit from the world-leading capabilities of both parent companies: Rio Tinto's expertise and world-class assets in coal extraction and supply; and BP's experience and expertise in chemical processing, low carbon power generation and carbon capture and storage.

Tom Albanese, Chief Executive, Rio Tinto, said: "Coal is a key part of Rio Tinto's energy business and we believe it has an essential role in generating clean power in the future. The investment we are making in Hydrogen Energy will allow us to deliver decarbonised energy and carbon capture and storage. Although initial projects may be based on non-coal feedstocks, they will be significant building blocks in the development of coal gasification on an industrial scale. Investing now means we will be well-placed to create value for shareholders from opportunities in the emerging clean power market." Tony Hayward, BP group chief executive, said: "Projects such as these have the potential to help deliver the carbon emission reductions which companies and countries around the world are now seeking. This will only be possible if companies work together and work alongside governments. The combination of skills and experience which BP and Rio Tinto bring will allow us to accelerate the development and deployment of these important new technologies and projects."

Hydrogen Energy, whose final formation will be subject to regulatory approvals, will identify and secure opportunities for decarbonised energy projects worldwide, working with governments to determine appropriate policies and regulatory regimes, and develop and operate the assets, with partners where appropriate. The projects will typically use coal or petroleum coke as feedstock; although in some cases natural gas may be used.

The previously announced hydrogen-fuelled power projects in Peterhead, Scotland and Carson, California will become part of Hydrogen Energy. As part of the agreement, Rio Tinto will make a cash payment to BP of some \$32million, subject to post-completion adjustments. Hydrogen Energy will be headquartered in Weybridge in the south-east of England and will initially have a staff of 75 seconded from the parent companies. The chief executive of Hydrogen Energy was today named as Lewis Gillies, formerly head of BP's hydrogen power business and its chief financial officer as Peter Cunningham, formerly head of business evaluation for Rio Tinto.

Notes to editors:

- Hydrogen Energy will be equally-owned by BP and Rio Tinto. Further information on the company can be found at: www.hydrogenenergy.com
- BP, together with Scottish and Southern Energy, announced plans in June 2005 for its first hydrogen power project, in Peterhead, Scotland. The planned project would use natural gas as a feedstock, generating some 475MW electricity and capturing and storing some 1.8 million tonnes of CO2 a year in the North Sea Miller oilfield. Injection of the CO2 into the oilfield would also increase recovery of oil from the reservoir by an estimated 50-60 million barrels. Engineering design for the project is complete and the partners hope the project will be able to take part in the competition the UK government has announced to select which such project should be supported. If the decision to go ahead with the project were taken at the beginning of 2008, it would be expected to be in commercial operation in 2011.
- The second planned hydrogen power project, in Carson, California, USA would use petroleum coke as feedstock. In January 2006, BP and partner Edison Mission Group announced plans to develop the 500MW power project alongside BP's Carson refinery, about 20 miles south of Los Angeles. The project would capture some four million tonnes of CO2 a year and transport it for reinjection into geological formations in southern California for permanent storage. Subject to the successful outcome of engineering studies and appropriate policy being in place, it is anticipated the final investment decision could be taken in time for the plant to be operational by the end of 2012.
- Rio Tinto is a leading international mining group headquartered in the UK, combining Rio Tinto plc, a London listed public company, and Rio Tinto Limited, which is listed on the Australian Stock Exchange. The Group finds, mines and processes the earth's mineral resources - metals and minerals essential for making thousands of everyday products that meet society's needs and contribute to improved living standards. The Group's major products include aluminium, copper, diamonds, energy products (coal and uranium), gold, industrial minerals (borates, titanium dioxide, salt and talc), and iron ore. Its activities span the world but are strongly represented in Australia and North America. There are also significant businesses in South America, Asia, Europe and southern Africa. For further information, see: www.riotinto.com

- BP is one of the world's largest oil and gas companies with operations in more than 100 countries across six continents. The company's main businesses are exploration and production of oil and gas; refining, manufacturing and marketing of oil products and petrochemicals; transportation and marketing of natural gas; and a growing business in renewable and low-carbon power, BP Alternative Energy. BP's low carbon interests combined in BP Alternative Energy include: BP Solar; the company's fast growing interests in wind power; gas-fired power generation; and BP's interest in Hydrogen Energy. For further information see: www.bp.com and www.bpalternativeenergy.com

Paid for by Chip and Karen Truscon

Editorial from Rep. Stupak: Gulf spill holds lessons for protecting Michigan waters, Great Lakes from drilling, sulfide mining

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It is difficult to think of northern Michigan without also thinking about the Great Lakes.

These waters are vital to our economy and are relied upon by 45 million people for drinking water, fishing, recreation, agriculture, industry and shipping.

That is why, in 2005, I fought to pass a federal ban on oil and gas drilling in and under our Great Lakes. As we are witnessing right now in the Gulf of Mexico, oil spills know no boundaries. Without a federal policy, all of the Great Lakes states could have different laws on drilling in our shared waters, putting us all at risk. As the tragedy in the Gulf unfolds, the importance of this ban on drilling in the Great Lakes takes on a greater significance.

In my investigations as chairman of the House Energy and Commerce Committee's Subcommittee on Oversight and Investigations, we have uncovered thousands of pages of documents showing BP was willing to cut corners on safety in order to save time and money — this despite the fact that BP's own engineers described the well as a "nightmare well."

This mismanagement has continued in BP's response to contain the leak and clean up the spilled oil. The latest report estimates 35,000 to 65,000 barrels of oil are leaking into the Gulf daily — up to 12 times more than BP's original estimate of 5,000 barrels a day. Even BP admits the earliest the spill will be stopped is August when drilling of relief wells is completed. In the meantime oil continues to flow, contaminating marshlands and beaches and killing the fish and seafood that much of the Gulf's economy depends on.

While drilling for oil and gas is banned in the Great Lakes, other actions still threaten our waters. Mining has been done safely to the benefit of the Upper Peninsula economy for generations, but the sulfide mine proposed in Marquette County by the Kennecott Minerals Company raises concerns that have yet to be adequately addressed.

Both BP and Kennecott's parent company, London-based Rio Tinto, have earned reputations for their willingness to cut corners on safety and environmental safeguards to improve their bottom lines.

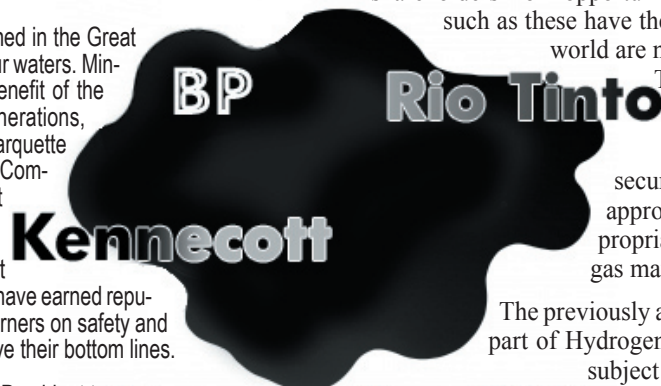
BP reached an agreement with the President to set up an independent escrow fund to ensure the residents of the Gulf receive the claims they deserve in a timely manner. I remain concerned that Kennecott's \$17 million assurance bond does not provide nearly enough funding to address potential contamination that may continue years after Kennecott leaves the U.P. Like BP, Kennecott — not the taxpayers — should be responsible for the cost of cleaning up any pollution they create.

Unfortunately Michigan's mining laws fall short of holding Kennecott accountable. State permits were approved without requiring an Environmental Impact Statement and without independent baseline hydrological and geological studies. Because there is no evidence of the environment's condition before Kennecott starts mining, there is no way to prove what damage they cause.

We should heed the lessons we have learned from the Gulf spill. Weak state regulations in place for sulfide mining are worthless without proper enforcement. Given Michigan's continuing budget problems, it seems unlikely the Michigan Department of Natural Resources and Environment will have adequate resources to ensure Kennecott is complying with safety and environmental standards. Kennecott should be responsible for providing the state with the funding needed for these inspectors.

The U.S. Environmental Protection Agency (EPA) will announce by the end of the month whether federal permits are necessary for the mine to move forward. Kennecott deserves a timely answer from the EPA just as the people of Michigan deserve stronger safeguards and greater financial assurances from Kennecott.

Oil companies have been engaged in deepwater drilling for 30 years, yet they have been completely unprepared to handle a worst-case scenario. Sulfide mining has never been done — much less done safely — in our region. I have little confidence that the proper precautions and contingency plans are in place to prevent contamination of our streams, rivers and the Great Lakes. The financial protections put in place for taxpayers are symbolic at best. As we have seen in the Gulf spill, if we wait until a problem occurs to find a solution it is already too late.



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