

A Critical Examination of “BRITISH PETROLEUM” plc's International Strategy:

AI, Geopolitical Disruption and Sustainability Regulation

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1. Introduction

Globalisation is a process that involves the growing integration and interdependency of the markets, capital, technology and production processes on a global scale, resulting in economic activity that is not strictly national, but is globally coordinated (Porter, 1990). This interdependence represents a chance and a risk to multinational companies: operations, sourcing and regulations can be influenced by events in markets other than those in the home country.

This is exemplified by one of the UK's leading energy companies, BP plc, which has its headquarters in the UK and operates in approximately 70 countries. BP is a global "supermajors" seeing three converging trends in its international strategy: the fast-paced nature of the shift toward artificial intelligence (AI) in the energy value chain, the current Red Sea crisis, and impending EU rules under the Corporate Sustainability Reporting Directive (CSRD) on disclosure requirements. These forces are not a neutral background, however, but a manifestation of a deeper paradox: the era of BP's retrenchment of its transition goals is the period of heightened scrutiny from the outside; from markets and regulators. The essay discusses the opportunities and challenges these forces create, uses Porter's Diamond and Five Forces to look at the strategic implications and the impact of these forces on BP's positioning, innovation, talent and competitiveness and finally makes recommendations.

2. Opportunities and Challenges

2.1 Artificial Intelligence

BP has extensively made use of AI in its upstream operations. Due to its AI platform built with Microsoft, it is able to speed up seismic and subsurface interpretation to allow for faster and more informed drilling decisions (Petroleum Australia, 2021). More broadly, BP

has broadened its use of AI across operations including seismic imaging, predictive maintenance and trading/demand forecasting, supported by high-performance computing infrastructure (Klover.ai, 2025; BP, 2025). The applications provide clear operational benefits: shorter exploration time, less downtime and less exploration cost, therefore contributing to the competitiveness in a very capital intensive industry.

The advantages are not as clear as industry commentary suggests, however. The wider adoption of AI increases the cybersecurity attack surface, as digitised control systems open up new vulnerabilities, but a quick decision-making process is not particularly beneficial if there is a greater degree of exposure to disruption in the system that makes up the decision. Implementation is also expensive and requires workforce reskilling (see below) Another often-neglected risk is competitive, as seismic AI tools aren't being created as a business secret for BP, but as a standard industry offering that may become more of a cost of doing business in the exploration sector as time goes on (Klover.ai, 2025; AzoMining, 2025).

2.2 Impact of geopolitical supply chain disruption

Since commercial shipping were targeted by Houthis in the Red Sea in November 2023, BP also started to bypass the Red Sea and Suez Canal by sending the ships around the Cape of Good Hope (Resilinc, 2024). It increases voyage durations by around ten to fourteen days and war-risk insurance premiums for transits via the Red Sea are currently in the range of 0.5% to 1.0% of the value of a ship's hull and machinery, in contrast to 0.0001% for premiums for comparable cover in the Persian Gulf, indicating a steep repricing by insurers of this particular corridor, not shipping risk in general (S&P Global, 2024). The Suez Canal traffic has not yet improved significantly, and a further escalation of the Iran-Israel-U.S. conflict has further reduced the chances of pre-crisis routing, according to project44 (2025) and Seatrade Maritime (2026).

However, it is important to take care to not overstate this disruption as strictly negative for BP. BP, as one of the biggest freight and trade companies, is dealing with increased freight and insurability costs, while at the same time the volatility will broaden their trading margin and increase the importance of their risk-management business relative to their

competitors who don't have trading desks of that size (S&P Global, 2024). This is part of a larger trend: Companies with higher geopolitical risk are spreading out their supply chains and production bases instead of complete decoupling (CEPR, 2025). It is therefore reasonable to argue that BP should follow the same diversification principle for its own logistics network, not only because BP claims it, but also because the general literature supports it. The resilience of this nature also relies on diversification and technological enablement and governance (Kumar, 2025) which means that BP's current investment in AI could serve as a risk-management tool and not just for exploration.

2.3 Corporate Sustainability Reporting Directive (CSRD)

All large in-scope companies must report under CSRD on detailed environmental, social and governance information, based on the double-materiality principles and now subject to third party assurance (European Commission, 2026). While the 2025 Omnibus package reduced CSRD's scope to companies with >1,000 employees and >€450 million turnover, and pushed back some reporting deadlines, BP continues to be in scope due to operations in the EU (European Commission, 2026; Normative, 2026). It requires a significant investment of resources, and BP is committing to it as it transitions back to oil and gas: In February 2025, BP's planned annual spend on transition-business investment dropped more than \$5 billion, while spending on oil and gas rose by around 20% to reach approximately \$10 billion annually (ESG Dive, 2025; Euronews, 2025).

This forces BP to tell two very different stories, with the narrative it has been building since 2020, the point at which the oil majors started to disclose their sustainable development plans – not matching peer-reviewed research, which has long noted that oil majors' clean energy narratives have not consistently aligned with their investment activities (Franta et al., 2022). Likewise, serious disclosure might enable BP to distinguish between legitimate transition activity and unsubstantiated competitor claims, as long as the strategy is consistent with the actual allocation of capital.

3. Porter's Diamond and Five Forces

The key factors of the Porter's Diamond model that explain national competitive advantage are: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry (Porter, 1990). The UK has good factor conditions in engineering know-how and in the presence of an established base of related industries in maritime insurance and commodities trading based in London, applied to BP's home base.

The flip side to this is that London's insurance market is where the repriced Red Sea premiums are being priced, so the cluster that has historically made BP competitive now does so as well. This shows one of the limitations of the model for an international company like BP: national conditions influence the home advantages, but they cannot explain the risk from other markets in the world, in which case it is better to use the extended version of the model that includes value chains in other parts of the world (Cho, Moon and Kim, 2009).

The additional dimension added by the Five Forces. Collectively, industry-wide, AI is reducing the cost of high-quality seismic interpretation, and, in fact, BP is not getting a lasting competitive advantage since there is no evidence of a supermajor using AI exclusively to generate a competitive edge; they are just using it as another tool in the toolbox (Klover.ai, 2025). CSRD may either be perceived as a barrier for those companies that can bear the reporting burden or as a lever to give investors more leverage as sustainability claims are made transparent for the first time (European Commission, 2026). The latter interpretation is more convincing, that it is this new comparability, and not the reporting burden per se, that leads to the above-described green washing exposure.

4. Impact on the Organisation

Market positioning: BP's 2025 “reset” is taken as a rollback of the net zero campaign led by new CEO Murray Auchincloss (Kavout, 2026).

There are two explanations: Elliott Management sees it as a logical financial correction (Kavout, 2026); otherwise, the lack of investment may have been present all along, as oil majors' transition rhetoric has typically outpaced their spending on clean energy (Franta et al., 2022), and this is likely to be confirmed in 2025 with BP's transition spend in contrast to its original targets (Reclaim Finance, 2025). Whatever the case, a pro-Shell/ExxonMobil marriage may bring comfort to investors, but will open the door to more rigorous CSRD-based analysis of ambition versus investment.

Low-carbon innovation (ESG Dive, 2025): With a shift in transition budget from \$5bn to \$1.5-2bn yearly, AI will bolster exploration and maintenance while limiting innovation in the low-carbon sector (ESG Dive, 2025).

Talent management: A data science expert is required along with engineers in the operations of AI-driven operations; digital skills are becoming a competitiveness factor (Holistique Training, 2025).

Competitiveness: It is all about being on par with Shell and ExxonMobil (Euronews, 2025), whether it is about operational discipline or transition leadership, it is in the short term.

5. Strategic Recommendations

BP needs to develop alternative routes for shipping and insurance, that avoid relying on the Red Sea; implement AI analytics for supply chain risk visibility (S&P Global, 2026); integrate CSRD disclosure with actual capital allocation to mitigate greenwashing potential (Franta et al., 2022); and establish a diverse talent pipeline in engineering and data science.

6. Conclusion

BP is at the intersection of AI, geopolitical volatility and sustainability regulation. Artificial intelligence can deliver efficiency gains in real time, but there are cybersecurity risks and competitive parity concerns. The Red Sea disruptions have made shipping more costly

and slower, but the same volatility has also created opportunities for trading spreads and given the industry a chance to embrace a more diverse, AI-enabled logistics network. At the same time, CSRD comes at a time when BP is returning to the oil and gas business. This presents a credibility risk that has to be managed carefully, and not as a communications problem. To maintain performance and stakeholder trust, it's important to understand the interaction of these forces not in isolation.

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