

# **LCBB4016: Global Business Environment**

## **Component 2 Essay**

**Title: The major forces shaping the global business environment of British Petroleum in the energy sector**

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## **1. Introduction**

The concept of globalisation denotes the process used by firms to expand on a global scale and facilitate business internationally. As per the views of Funez-Flores (2023), globalisation includes the systematic control of labour and multiplicity of social movements of businesses across the globe. As of 2024-2025, multinational businesses are going through changes such as rapid AI adoption, supply chain challenges, and growing sustainability demands. The US-Iran conflict and EU's corporate sustainability directive is enforcing businesses to adopt globalisation initiatives and firms engage in international trade to create a globally dependent supply chain. The relevance of globalisation for international businesses operating in the contemporary age is to enhance the scope of operations, facilitate cross-border trade, and establish multiple operational institutions. The purpose of the essay is to analyse the opportunities and challenges presented by global forces such as AI, geopolitical tensions and mandatory sustainability compliance. The chosen organisation is British Petroleum (BP), a multinational oil and gas company that is pursuing sustainable energy projects recently. BP operates over 1,150 retail sites across the UK and offers its services over 60 countries respectively (BP, 2026). BP connects energy producers and distributors and its nationwide retail network is facilitating home energy solutions and a wide array of charging stations.

**Thesis Statement-** The global forces such as AI implementation, geopolitical tensions, and sustainability regulations influence the operational compliance of BP and mandate it to improve its operational standards.

## 2. Analysis

### Opportunities and Challenges

The key driving forces are the implementation of AI technology and sustainability regulations such as the Environmental Act, the EU's Corporate Sustainability Reporting Directive, and CO2 emission performance standards, which encourage BP's stakeholders to streamline its business operations with the current trends and engage in fulfilling consumer demand of the automobile industry. The stakeholders of BP have engaged to implement AI and other innovative technologies, which help to enhance business performance. BP has implemented AI technology to optimise oil and gas drilling, which helps them to increase production of petroleum and natural gas (States, 2025). Hence, the benefits in implementation of AI technology have allowed BP to maintain the best and safest drilling trajectories that enhance its production of oil and gas. On the other hand, BP has engaged in developing "digital twin" models based on AI and cloud-based virtual models. The implementation of these AI models helps to prioritise the areas of operations that need improvement, which assists stakeholders in implementing effective corporate-level decisions. The US-Iran conflict has increased the rate of tariffs, affecting the sourcing and trade of multinational firms such as BP.

The UK government has enforced sustainability regulations such as the Environment Act (2021), CO2 emission performance standards, and CO2 emission performance standards for passengers and commercial vehicles. As per *Chapter 30 of the Environmental Act (2021)*, the UK government enforces guidelines for environmental governance to accomplish long-term sustainability and drives to improve air quality, water, and biodiversity (GOV.UK, 2021). On the other hand, CO2 emission performance standards have delivered guidelines to maintain CO2 emissions for new passenger cars and lightweight vehicles to maintain air quality (Department for Transport, 2020). BP has followed these guidelines, which encourage it to enforce net zero emission targets (BP, 2026). The net zero emission targets give benefits to BP to enhance brand reputation by addressing environmental sustainability challenges such as air pollution.

*High cost of operations due to implementation of AI:* BP to streamline its business operations and enhance their performance has performed the implementation of AI technology. However, this oil and gas producer has faced the significant challenge of rising operations costs and redundancies in responsibilities among employees. Due to this reason, BP has cut 1,500 jobs and 1,200 contractors after the implementation of the new AI policy (Williams, 2025). This strategy has been implemented to balance operational expenses and stabilise its profitability.

*Geopolitical tension:* Geopolitical tension in the Middle East has disrupted the supply chain operations of BP. The Iranian war situation has imposed restrictions on oil importation from the Strait of Hormuz, which creates challenges for BP to import oil and balance supply chain operations (Collins, 2026). The geopolitical tension is responsible for creating pressure on supply chain operations and increases operations disruptions in BP's workplace.

*Challenges to suppress CO2 emissions:* BP follows the guidelines of environmental regulations of the UK government in order to maintain air quality. However, this oil and gas producer has faced significant challenges to reduce emissions. As per the news report of Reuters (2025), the rise in emissions of 322 million metric tons of carbon dioxide has been detected from the operations of mining and refining. The incidents have created a significant challenge for BP to fulfil the environmental sustainability guidelines of the UK government.

### **Impact on the Organisation**

The force tied to AI adoption improves the market positioning of BP in the energy sector and supports innovation precedence respectively. For example, BP has a market share of 7.65% as of 2025 and revenue worth £ 192,549 million as of 2025 (CSI Market, 2025). The talent management initiatives of BP have fostered the inclusion of individuals with effective technical knowledge that is necessary to operate the R&D systems of the firm. Similarly, the adoption of AI has enhanced the competitive outlook of BP and ensured that it is able to increase the competitive pressure asserted over other energy firms.

The force tied to geopolitical tensions negatively affects the market position of BP and affects its competitiveness since it causes a decrease in operating margins. For example, BP reported that its profits in the final three months of the previous year fell by 30% since the price of Brent crude oil fell by £60 a barrel for the first time in four years (Edser, 2026). Similarly, the talent management initiatives of BP also declined as a result since lowered profits enforced the firm to slow down hiring. However, geopolitical tensions pose a severe threat for innovation as it reduces the effectiveness of BP's supply chains and limits the firm's ability to source technology assets.

The force of sustainability compliance enforces BP to adopt innovation such as carbon capture technologies to reduce its supply chain emissions significantly. Compliance with sustainability mandates in the EU (via CSRD) and in the UK (via Environment Act 2021) enables BP to enhance its market position and competitive growth levels respectively. However, the force mandates talent management initiatives of BP to become ethically moral in nature and urge employees to participate in CSR programs. Therefore, the impacts of the discussed factors are mostly positive on BP apart from a few infractions such as talent management or geopolitical tensions.

The force of AI has had a mostly positive impact on BP's operations by enabling the firm to automate its supply chain. As per the views of Jin *et al.* (2025), the advancement in automation has enabled organisations to optimise operational efficiency, reduce costs, and enhance productive outputs. However, geopolitical disruptions have a negative impact on BP since the supply chain of the firm has become destabilised amidst changes to energy price cap. Mandatory sustainability legislations have both a positive impact by mandating CSR onto firms and a negative impact of increased operating costs respectively.

### **Strategic Recommendations**

AI powered weather forecasting can be recommended to enhance BP's global success since it would increase the energy yields from its solar and wind projects. AI powered weather forecasting can use weather data to devise a probable weather forecast for BP, enabling it to optimise energy storage and collection from its solar panels and wind turbines. *For example*, companies in the energy sector such as Total Energies are using MeteoMatics' AI powered weather data service in collaboration with NVIDIA to predict weather patterns in regions with solar farms and wind turbines (Meteomatics, 2026). The recommendation would be suitable for the business since it would increase the yield capacity of BP's sustainable projects and create a new use-case for AI. In light of the geopolitical tensions facing BP, the firm should temporarily halt operations in unstable regions such as Iran since it would solve the issue tied to employee safety. As for the firm's supply chain, BP can try to diversify its supply chain and identify suppliers near its home country (UK) to stabilise its supply chain.

The challenge regarding high emissions from BP's supply chain can be resolved by the firm's adoption of green hydrogen plants. BP is already implementing a green hydrogen project titled Lingen that is set to be operational by 2027 and facilitating construction of multiple such plants can be beneficial for BP. Green hydrogen is more suitable as compared to fossil fuels since burning it produces only water vapour and zero carbon emissions are observed in the supply chain. Construction of multiple green hydrogen plants can enable BP to decarbonise its energy production and petroleum refining activities completely. Thus, the initiative is suitable since BP has already found the idea to be relevant and this ensures that the business improves its sustainability compliance.

### **3. Conclusion**

The essay denotes that the factor of AI and sustainability mandates has forced BP to implement automation for optimising oil extraction and digital modelling of offshore platforms. The mandatory sustainability compliance has enabled BP to adopt clean energy initiatives and decarbonise its supply chain to reduce emissions. The recommendations dictate the use of AI powered weather forecasting and adoption of green hydrogen plants to create new use cases for AI and improve sustainability governance. The importance of understanding global dynamics such as AI, sustainability compliance and geopolitical instability is to create a resilient supply chain for BP and enhance its operational growth.

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### **GAI Declaration**

I hereby certify that I have not made use of any form of AI for this assignment. I have only made use of credible sources that contain valid information and have not used AI to search for sources.