As required by CFTC Regulation 23.105(i)(2) BP Energy Company is making available below it's statement of financial condition, including applicable footnotes, which is a part of its 2023 audited consolidated financial statements.

BP Energy Company
Consolidated Balance Sheets
(In Millions)

	December 31 2023	2022
Assets		
Right-of-use assets, net	$ 3	$ 24
Property, plant and equipment, net	1	1
Total property, plant and equipment, net	4	25
Other Noncurrrent assets		
Prepayments and other intangibles	15	25
Derivative instruments	6,921	6,910
Goodwill	50	50
Deferred tax assets	103	67
Total other noncurrent assets	7,089	7,052
Current assets:		
Cash and cash equivalents	676	797
Inventories	198	264
Margin deposits, prepayments, and other	124	44
Accounts and notes receivable	991	2,026
Receivables – affiliates	20,471	18,060
Derivative instruments	2,933	3,752
Total current assets	25,393	24,943
Total assets	$ 32,486	$ 32,020
Liabilities and stockholder's equity		
Noncurrent liabilities:		
Derivative instruments	$ 5,544	$ 5,576
Long-term gas supply obligations	2,978	1,518
Noncurrent lease liabilities	3	14
Other noncurrent liabilities	680	667
Total noncurrent liabilities	9,205	7,775
Current liabilities:		
Accounts payable	1,446	2,774
Payables – affiliates	146	754
Derivative instruments	2,603	3,636
Current tax liability	539	218
Current lease liabilities	1	11
Other accruals	422	331
Total current liabilities	5,157	7,724
Stockholder's equity:		
Common stock, $1,000 par; 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	10,956	11,027
Retained earnings	7,167	5,493
Total stockholder's equity	18,124	16,521
Total liabilities and stockholder's equity	$ 32,486	$ 32,020

See accompanying notes.

BP Energy Company
Notes to Consolidated Financial Statements
December 31, 2023

1. Organization and Summary of Significant Accounting Policies

BP Energy Company's (BPEC) consolidated financial statements include the accounts of IGI Resources Inc. (IGI), a Boise, Idaho-based energy company, a wholly owned subsidiary of BPEC. Both BPEC and IGI (the "Company") are engaged in the trading and marketing of natural gas, natural gas liquids (NGLs) and power in North America. The Company's primary customers include producers, commercial and industrial end-users, retail end-users, and financial institutions in North America. The Company is a wholly owned subsidiary of BP Company North America, Inc. (BPCoNA) and BPCoNA is wholly owned by BP Corporation North America, Inc. (BPCNA). The Company is also an indirect, wholly owned consolidated subsidiary of BP America, Inc. (BPA) and BP p.l.c. (BP). The accompanying consolidated financial statements are the responsibility of management.

Basis of Presentation

The consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations issued and effective for the year ended 31 December 2023. The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million dollars ($ million), except where otherwise indicated.

Principles of Consolidation

The assets, liabilities and results of operations of subsidiaries in which the Company has a controlling financial interest are included in the accompanying consolidated financial statements. The Company does not have any significant interests in variable-interest entities. All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from estimates and assumptions made. Areas where critical accounting estimates are made include the fair value of derivatives, including credit risk valuation considerations, and impairment assessments of goodwill.

Goodwill

Determination as to whether, and by how much an asset containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates and future commodity prices, including natural gas and refined products.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount should be assessed. In assessing whether goodwill has been impaired, the carrying amount of the group is compared with its recoverable amount. Where the recoverable amount is less than the carrying amount (including goodwill), an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Revenue Recognition

Revenues associated with sales of natural gas, NGLs, power and other items are recognized when title passes to the customer as the risk of ownership passes to the purchaser and physical delivery of goods occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry. Revenues associated with services, including risk management and asset management, are recognized as the services are performed. When appropriate, the Company invoices and collects sales tax from its customers, which is carried on the consolidated balance sheets as accounts payable prior to remittance to the taxing authority.

Revenues and purchases of natural gas, NGLs and power associated with energy-trading activities are combined and reported on a net basis on the consolidated statement of profit or loss within trading revenue, net.

Cash and cash equivalents

As discussed in Note 10, rather than holding surplus cash, most of the Company’s cash is managed through a centralized funding agreement. Such cash is characterized as a receivable from the BP subsidiary which serves as the central treasury function of BPA and its subsidiaries. For balances that are held in margin accounts, the Company considers these balances to be cleared against the underlying exchange position, such that the balances offset or net against the exchange position.

Cash and cash equivalents at December 31, 2023 and December 31, 2022 includes $676 million and $794 million that is restricted. The restricted cash balances include amounts required to cover initial margin on trading exchanges and certain cash balances established to facilitate Company activity in which the Company is required to maintain a minimum balance.

BP Energy Company

Notes to Consolidated Financial Statements (continued)

Inventories

Inventories consist primarily of natural gas and NGLs in storage, and renewable energy credits. Inventories held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the statement of profit and loss. Natural gas and renewable energy credits are carried at fair value less costs to sell and NGLs are carried at the lower of net realizable value and cost. Costs primarily comprise direct purchase costs. NGLs inventory cost is determined by the first-in first-out basis. The balances at December 31, 2023 and December 31, 2022, respectively, are as follows:

	2023	**2022**
	(In Millions)	
Natural gas inventory	$ 61	$ 95
Renewable energy credits inventory	137	84
NGLs inventory	-	85
Total inventories	$ 198	$ 264

Accounts Receivable

At December 31, 2023 and December 31, 2022, accounts receivable were $991 million and $2,026 million, respectively. The balance at December 31, 2023, and December 31, 2022, primarily represented sales of natural gas, power and NGLs delivered during the month of December 2023 and December 2022, respectively.

The Company continually monitors the exposure and the creditworthiness of its counterparties. Trade and other receivables are carried at the original invoice amounts, less allowances for doubtful receivables in the amounts of $262 million and $58 million as of December 31, 2023 and December 31, 2022, respectively. Allowances are recorded based on expected losses. Balances are written-off when the probability of recovery is assessed as remote.

In December 2023 and December 2022, the Company sold certain accounts receivable to third parties. These sales were done to manage credit exposure and operational cash balances. The notional amount of accounts receivable sold was $491 million for 2023 and $730 million for 2022.

Accounts Payable

At December 31, 2023 and December 31, 2022, accounts payable were $1,446 million and $2,774 million, respectively. The balance at December 31, 2023, and December 31, 2022, primarily represented purchases of natural gas, power and NGLs received during the month of December 2023 and December 2022, respectively.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company utilizes a mid-market pricing convention (the midpoint between the bid and ask prices) as a practical expedient for determining fair value measurement, as permitted under current accounting standards. The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs.

Derivative Instruments

The Company uses derivative instruments to manage certain exposures to commodity prices, as well as for trading purposes. Such derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive or as liabilities when the fair value is negative. If a legally enforceable right of offset exists and contracts are executed with the same counterparty under a master netting arrangement, derivative assets and liabilities with the same counterparty are netted on the consolidated balance sheets and the fair value of collateral paid or received is netted against derivative assets and derivative liabilities, respectively. Gains and losses arising from changes in the fair value of derivatives are recognized on a net basis in the accompanying consolidated statements of profit or loss within trading revenue, net. The Company presents the cash flows from our derivatives in the same category as the item being economically hedged within operating activities on our consolidated statements of cash flows.

Leases

Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases. The right to control is conveyed if the Company has both the right to obtain substantially all of the economic benefits from, and the right to direct the use of, the identified asset throughout the period of use. An asset is identified if it is explicitly or implicitly specified by the agreement and any substitution rights held by the lessor over the asset are not considered substantive.

A lease liability is recognized on the consolidated balance sheet on the lease commencement date at the present value of future lease payments over the lease term. The discount rate applied is the rate implicit in the lease if readily determinable, otherwise an incremental borrowing rate is used. The incremental borrowing rate is determined based on factors such as the Company’s cost of borrowing, lessee legal entity credit risk, currency and lease term. The lease term is the noncancellable period of a lease together with any periods covered by an extension option that the Company is reasonably certain to exercise, or periods covered by a termination option that the Company is reasonably certain not to exercise. The future lease payments included in the present value calculation are any fixed payments, payments that vary depending on an index or rate, payments due for the reasonably certain exercise of options and expected residual value guarantee payments.

Payments that vary based on factors other than an index or a rate such as usage, sales volumes or revenues are not included in the present value calculation and are recognized in the consolidated statements of profit or loss. The lease liability is recognized on an amortized cost basis with interest expense recognized in the consolidated statements of profit or loss over the lease term.

The right-of-use asset is recognized on the consolidated balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. The right-of-use asset is depreciated typically on a straight-line basis over the lease term. The depreciation charge is recognized in the consolidated statements of profit or loss. Right-of-use assets are assessed for impairment in line with the accounting policy for goodwill.

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price.

If the lease term at commencement of the agreement is less than 12 months, a lease liability and right-of-use asset are not recognized, and a lease expense is recognized in the consolidated statements of profit or loss on a straight-line basis.

If a significant event or change in circumstances, within the control of the Company, arises that affects the reasonably certain lease term or there are changes to the lease payments, the present value of the lease liability is remeasured using the revised term and payments, with the right-of-use asset adjusted by an equivalent amount.

Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right-of-use asset. Any gain or loss on modification is recognized in the consolidated statements of profit or loss. Modifications that increase the scope of the lease at a price commensurate with the stand-alone selling price are accounted for as a separate new lease.

Provisions

The Company recognizes provisions if the following three conditions are met:

- the Company has a present obligation that arises from an event prior to or on the reporting date;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the obligation amount can be estimated reliably.

Provisions are determined based on the Company's estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by the Company, and previous experience with similar transactions.

The Company is subject to legal proceedings, claims, and liabilities that arise in the ordinary course of business. The Company accrues losses associated with legal claims when those losses are probable and reasonably estimable. Estimates are adjusted as additional information becomes available or circumstances change. Accrued losses are presented on an undiscounted basis.

Income Taxes

Income tax expense represents the sum of tax currently payable and deferred tax. Estimates of interest and penalties relating to tax are also included in income tax expense. The tax currently payable is based on the taxable profits for the period. Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Allowable tax credits are applied currently as reductions of the provision for income taxes.

Subsequent Events

The Company has evaluated subsequent events from the December 31, 2023 consolidated balance sheet date through March 8, 2024, the date these consolidated financial statements were available to be issued.

New Accounting Pronouncements

There are no new or amended standards or interpretations adopted from 1 January 2023 onwards, including the amendments to IAS 12 'Income Taxes' and IFRS 17 'Insurance Contracts,' that had a significant impact on the consolidated financial statements for 2023.

2. Revenue Recognition

Performance Obligations
The Company has performance obligations as part of its normal course of business. A performance obligation is a promise to transfer a distinct good or service, or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to a customer. The invoice

practical expedient within the accounting guidance for "Revenue from Contracts with Customers" allows for the recognition of revenue from performance obligations in the amount of consideration to which there is a right to invoice the customer and when the amount for which there is a right to invoice corresponds directly to the value transferred to the customer. The purpose of the invoice practical expedient is to depict an entity's measure of progress toward completion of the performance obligation within a contract and can only be applied to performance obligations that are satisfied over time and when the invoice is representative of services provided to date.

The Company has performance obligations to sell commodity products and perform services to customers in North America. The performance obligation to deliver commodity products is satisfied over time as the customer simultaneously receives and consumes the benefits provided. Revenues may be fixed or variable as they are subject to the respective individual customer contract requirements.

Contract Assets and Liabilities

Contract assets are recognized when the Company has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. The Company did not have any material contract assets as of December 31, 2023 or December 31, 2022.

When the Company receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. The Company's contract liabilities typically arise from services to retire renewable certificates on behalf of customers or from the prepayment of a commodity. The Company did not have any material contract liabilities as of December 31, 2023 related to services to retire renewable certificates. See Note 6 for further discussion about customer prepayments.

Disaggregated Revenues from Contracts with Customers

The amounts shown in the table below are included in trading revenue, net in the consolidated statements of profit or loss.

	Year Ended December 31	
	2023	**2022**

	(In Millions)	
NGL sales	$ 698	$ 1,780
LNG sales	1,115	1,323
Revenues from contracts with customers	1,813	3,103
IFRS 9 derivative instruments	1,600	2,006
Direct trading costs	(504)	(2,861)
Trading revenue, net	$ 2,909	$ 2,248

3. Cash Flow Information

The accompanying consolidated statements of cash flows provide information about changes in cash and cash equivalents. The Company considers all investments with original maturities of three months or less to be cash equivalents.

Net cash provided by operating activities reflects cash payments for interest of $34 million and $17 million for the years ended December 31, 2023 and 2022, respectively.

BPA pays U.S. income taxes on behalf of the Company. Miscellaneous taxes paid by the Company in 2023 and in 2022 were immaterial.

The parent of the Company is entitled to receive the dividends declared by the board of directors provided funds are legally available for such dividends. The payment of cash dividends or any other dividend will be made at the discretion of the board of directors.

During 2023 and 2022, the Company received zero and $3 billion, respectively of additional capital to comply with new federal regulations related to capital requirements applicable to the Company. This capital contribution was made through a transfer from BPCNA to the Company's cash pool account with the North America Funding Company (NAFCO) (see Note 10).

4. Financial Instruments

The accounting classification of each category of financial instruments, including their carrying amounts which are included in the accompanying consolidated balance sheets, is presented in the table below. The carrying values of financial instruments measured at amortized cost presented in the table below, except for long-term supply obligations, approximate their respective fair values due to their short-term maturities. As discussed in Note 6, the Company's long-term supply obligations are settled with future delivery of physical natural gas. The fair value of the obligations is disclosed in Note 6.

	Measured at amortized cost	**Measured at fair value through profit and loss**	**Carrying amount**

		(In Millions)	
December 31, 2023			
Financial Assets			
Cash and cash equivalents	$ 676		$ 676
Trade and other receivables	843		843
Trade receivables – affiliate	20,471		20,471
Notes receivable		148	148
Derivative instruments		9,854	9,854
Financial Liabilities			
Trade and other payables	$ (1,446)		$ (1,446)
Trade payables – affiliate	(146)		(146)
Lease liabilities	(4)		(4)
Long-term supply obligations	(3,031)		(3,031)
Derivative instruments		(8,147)	(8,147)

	Measured at amortized cost	Measured at fair value through profit and loss	Carrying amount
		(In Millions)	
December 31, 2022			
Financial Assets			
Cash and cash equivalents	$ 797		$ 797
Trade and other receivables	1,955		1,955
Trade receivables – affiliate	18,060		18,060
Notes receivable		71	71
Derivative instruments		10,662	10,662
Financial Liabilities			
Trade and other payables	$ (2,774)		$ (2,774)
Trade payables – affiliate	(754)		(754)
Lease liabilities	(25)		(25)
Long-term supply obligations	(1,558)		(1,558)
Derivative instruments		(9,212)	(9,212)

Financial risk factors

The Company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, interest rates, credit risk, and liquidity risk. All derivative activity is carried out by specialist teams that have the appropriate skills, experience and supervision. These teams are subject to close financial and management control.

The Company maintains formal governance processes that provide oversight of market risk, credit risk and operational risk associated with trading activity. A policy and risk committee approves value-at-risk delegations, reviews incidents and validates risk-related policies, methodologies and procedures. The Company measures market risk exposure arising from its trading positions in liquid periods using value-at-risk techniques based on Monte Carlo simulation models. These techniques make a statistical assessment of the market risk arising from possible future changes in market prices over a one-day holding period within a 95% confidence level. Trading activity occurring in liquid periods is subject to value-at-risk and other limits for each trading activity and the aggregate of all trading activity. The calculation of potential changes in value within the liquid period considers positions, historical price movements and the correlation of these price movements. Models are regularly reviewed against actual fair value movements to ensure integrity is maintained. The value-at-risk measure is supplemented by stress testing and scenario analysis through simulating the financial impact of certain physical, economic and geo-political scenarios. The value-at-risk measure in respect of the aggregated trading positions in liquid periods was $8 million as of December 31, 2023, and $17 million as of December 31, 2022. The daily average value-at-risk measure was $15 million for 2023 and $25 million for 2022 This measure incorporates the effect of diversification reflecting the offsetting risks across the trading portfolio. Alternative measures are used to monitor exposures which are outside of liquid periods and for which value-at-risk techniques are not appropriate. In addition, the Company undertakes derivative activity for risk management purposes under a control framework as described more fully below.

Credit Risk

Credit risk relates to the risk of loss resulting from the nonperformance or nonpayment by the Company’s counterparties related to their contractual obligations with the Company. Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. The Company is also exposed to credit risk if counterparties are unable to provide collateral or post margin. The Company’s credit risk is monitored and managed through credit approvals, routine monitoring of counterparties’ credit limits and their overall credit ratings, limiting the Company’s marketing and optimization activities with high-risk counterparties, obtaining margin collateral or prepayment arrangements and establishing payment netting arrangements or master netting arrangements that allow for the netting of positive and negative exposures of various contracts associated with a single counterparty. The Company distinguishes between investment grade and non-investment grade based on Standard & Poor’s ratings. Investment grade counterparties are those with a rating of BBB- and above while non-investment grade counterparties are those below BBB-. Internal credit ratings are used when external credit ratings are not available.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss after recovery if there is a default) and the exposure at default (i.e. the asset's carrying amount). The Company allocates a credit risk rating to exposures based on data that is determined to be predictive of the risk of loss, including but not limited to external ratings. Probabilities of default derived from historical, current and future-looking market data are assigned by credit risk rating with a loss given default based on historical experience and relevant market and academic research applied by exposure type. Experienced credit judgement is applied to ensure probabilities of default are reflective of the credit risk associated with the Company's exposures. Credit enhancements that would reduce the Company's credit losses in the event of default are reflected in the calculation when they are considered integral to the related asset. As of December 31, 2023, the Company held collateral in the amount of $406 million and had paid collateral of $160 million. As of December 31, 2022, the Company held collateral in the amount of $712 million and had paid collateral of $166 million.

The following table summarizes the Company's material exposures resulting from outstanding commodity derivative contracts as of December 31, 2023 and 2022:

	2023	2022
	(In Millions)	
Investment grade	$ 5,565	$ 4,644
Non-investment grade	3,580	5,289
Affiliates	709	729
	$ 9,854	$ 10,662

Many of the Company's derivative master agreements (predominantly International Swaps and Derivatives Association (ISDAs)) contain credit-contingent provisions that require BPCNA to maintain a minimum credit rating as reported by one or more of the major credit rating agencies (based on the agreement with the counterparty). If BPCNA's debt were to fall below the required grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request additional collateralization on derivative instruments in net liability positions. When required, the Company uses margin deposits, prepayments, and letters of credit as credit support to and from the Company's counterparties for commodity procurement and risk management activities.

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company pools cash surpluses to the BP treasury function, otherwise known as the NAFCO (see Note 10), which then arranges to fund the Company's or other subsidiaries requirements, invests any net surplus in the market or arranges for necessary external borrowings, while managing BP's overall net cash positions. All trade payables are expected to result in a cash outflow within the next 12 months. The Company manages liquidity risk associated with derivative contracts, other than derivative hedging instruments, based on the expected maturities of both derivative assets and liabilities as indicated in Note 5.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The primary commodity price risks to which Company is exposed, and that could adversely affect the value of the Company's assets, liabilities, or expected future cash flows include natural gas, NGLs, oil and power.

The Company enters into derivatives in a well-established entrepreneurial trading operation and measures market risk exposure arising from its trading positions using value-at-risk techniques. These techniques make a statistical assessment of the market risk arising from possible future changes in market prices over a one-day holding period. The value-at-risk measure is supplemented by stress testing. Trading activity occurring in liquid periods is subject to value-at-risk limits for each trading activity and for the Company's trading activity in total. Alternative measures are used to monitor exposures which are outside liquid periods and which cannot be actively risk-managed.

Derivative Instruments

The fair value of derivative instruments is based on prices actively quoted, prices sourced from observable data or market corroboration, or prices based on models and other valuation methods. Further information regarding the Company's valuation techniques used to measure the fair value of derivative instruments is presented in Note 5.

The Company uses derivative instruments to manage certain exposures to fluctuations in commodity prices as well as for trading purposes. These contracts are used to convert specific sales and purchase contracts between fixed and market prices to manage exposure to price differences between locations and other purposes. As part of its energy trading activities, the Company maintains active trading positions in a variety of natural gas, NGLs and power price contracts.

Derivative assets and liabilities are classified on the consolidated balance sheets as derivative instruments. The Company uses derivative commodity instruments traded on exchanges, such as the Chicago Mercantile Exchange, and enters into swap contracts and option contracts in the over-the-counter (OTC) markets, which are governed by ISDA agreements and other master netting arrangements. Amounts not offset on the consolidated balance sheets represent positions that do not meet all of the conditions to be netted, such as the legally enforceable right of offset or the execution of a master netting arrangement.

	2023		2022	
Derivatives held for trading	Fair value asset	Fair value liability	Fair value asset	Fair value liability
Oil derivatives	$ 348	$ (263)	$ 984	$ (775)
Natural gas derivatives	7,315	(6,427)	7,583	(6,539)
Power derivatives	2,191	(1,457)	2,095	(1,898)
Total	$ 9,854	$ (8,147)	$ 10,662	$ (9,212)
Of which – Current	$ 2,933	$ (2,603)	$ 3,752	$ (3,636)
– Noncurrent	$ 6,921	$ (5,544)	$ 6,910	$ (5,576)

Effect of Netting Derivative Assets and Liabilities

The table below represents gross and net derivative assets and liabilities, and third party accounts receivable and payable subject to netting agreements on the consolidated balance sheets. Amounts which cannot be offset under IFRS, but which could be settled net under the terms of master netting agreements if certain conditions arise, and collateral received, are also presented in the table to show the total net exposure of the Company. Intercompany accounts receivable and payable are discussed in Note 10.

	Gross Amount Recognized	Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset	Cash collateral (received) posted	Net Amount
	(In Millions)					
December 31, 2023						
Derivative assets	$ 12,078	$ (2,224)	$ 9,854	$ (2,873)	$ (304)	$ 6,677
Derivative liabilities	(10,371)	2,224	(8,147)	2,873	104	(5,170)
Trade and other receivables	1,479	(488)	991	(8)	(81)	902
Trade and other payables	(1,934)	488	(1,446)	8	35	(1,403)

	Gross Amount Recognized	Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset	Cash collateral (received) posted	Net Amount
	(In Millions)					
December 31, 2022						
Derivative assets	$ 14,052	$ (3,390)	$ 10,662	$ (2,471)	$ (598)	$ 7,593
Derivative liabilities	(12,602)	3,390	(9,212)	2,471	106	(6,635)

Trade and other receivables	3,217	(1,191)	2,026	(12)	(114)	1,900
Trade and other payables	(3,965)	1,191	(2,774)	12	60	(2,702)

5. Fair Value Measurements

The Company uses fair value to measure certain of its assets and liabilities in the consolidated financial statements. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Generally, the determination of fair value requires the use of significant judgment and different approaches and models under varying circumstances. Under a market-based approach, the Company considers prices of similar assets, consults with brokers and experts, or employs other valuation techniques. Under an income-based approach, the Company generally estimates future cash flows and then discounts them at a risk-adjusted rate.

The Company's most significant fair value measurements represent the valuation of its derivative assets and liabilities, which are measured on a recurring basis (each reporting period), and measurements of impairments and acquired assets on a nonrecurring basis. The Company primarily applies the market approach and income approach for recurring fair value measurements (primarily its derivative assets and liabilities) using the best available information. The Company primarily utilizes the income approach for nonrecurring fair value measurements such as impairments of its assets, as market prices for similar assets may not be readily available and may not incorporate the expected future returns from its assets.

The Company utilizes valuation techniques that seek to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company classifies fair value based on the observability of those inputs. IFRS establishes a fair value hierarchy, which classifies fair value measurements from Level 1 through Level 3 based upon the inputs used to measure fair value:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The valuation techniques used by the Company to measure fair value are summarized as follows:

Exchange-traded futures and swaps are valued using unadjusted closing prices provided by the exchange as of the balance sheet date. These derivatives are classified as Level 1 in the fair value hierarchy. OTC financial swaps and physical commodity purchase and sale contracts are generally valued using readily available information in the public markets and quotations provided by brokers and price index developers. These quotes are corroborated with market data and are classified as Level 2 in the fair value hierarchy. In certain less-liquid markets or for longer-term contracts, forward prices are not as readily available. In these circumstances, OTC financial swaps and physical commodity purchase and sale contracts are valued using internally developed methodologies that consider historical relationships among various commodities that result in management's best estimate of fair value. These contracts are classified as Level 3 in the fair value hierarchy.

Exchange-traded financial options are valued using exchange closing prices and are classified as Level 1 in the fair value hierarchy. Financial OTC and physical commodity options are valued using industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and contractual prices for the underlying instruments, as well as other relevant economic factors. The degree to which these inputs are observable in the forward markets determines whether the option is classified as Level 2 or Level 3 in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the Company's derivative assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2023 and 2022, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of significance for a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities within the fair value hierarchy levels.

Derivative assets held for trading have the following fair values and maturities.

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	(In Millions)						
December 31, 2023							
Oil derivatives	$ 168	$ 94	$ 44	$ 21	$ 10	$ 11	$ 348
Natural gas derivatives	1,845	897	584	444	426	3,119	7,315
Power derivatives	920	454	247	138	96	336	2,191
Total	$ 2,933	$ 1,445	$ 875	$ 603	$ 532	$ 3,466	$ 9,854
December 31, 2022							
Oil derivatives	$ 591	$ 271	$ 85	$ 31	$ 5	$ 1	$ 984
Natural gas derivatives	2,367	945	571	413	294	2,993	7,583
Power derivatives	794	511	258	146	92	294	2,095
Total	$ 3,752	$ 1,727	$ 914	$ 590	$ 391	$ 3,288	$ 10,662

Derivative liabilities held for trading have the following fair values and maturities.

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	(In Millions)						
December 31, 2023							
Oil derivatives	$ (160)	$ (59)	$ (14)	$ (13)	$ (8)	$ (9)	$ (263)
Natural gas derivatives	(1,938)	(746)	(452)	(331)	(289)	(2,671)	(6,427)
Power derivatives	(505)	(264)	(187)	(122)	(82)	(297)	(1,457)
Total	$ (2,603)	$ (1,069)	$ (653)	$ (466)	$ (379)	$ (2,977)	$ (8,147)
December 31, 2022							
Oil derivatives	$ (510)	$ (194)	$ (59)	$ (9)	$ (2)	$ (1)	$ (775)
Natural gas derivatives	(2,248)	(761)	(442)	(285)	(187)	(2,616)	(6,539)
Power derivatives	(878)	(399)	(171)	(112)	(95)	(243)	(1,898)
Total	$ (3,636)	$ (1,354)	$ (672)	$ (406)	$ (284)	$ (2,860)	$ (9,212)

The following table shows the fair value of derivative assets and derivative liabilities held for trading, analyzed by maturity period and by methodology of fair value estimation. This information is presented on a gross basis, that is, before netting by counterparty.

BP Energy Company

Notes to Consolidated Financial Statements (continued)

December 31, 2023	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Fair value of derivative assets				*(In Millions)*			
Level 1	$ 22	$ 28	$ 10	$ 1	$ -	$ -	$ 61
Level 2	3,692	1,166	522	197	129	128	5,834
Level 3	863	619	488	449	419	3,345	6,183
	4,577	1,813	1,020	647	548	3,473	12,078
Less: netting by counterparty	(1,644)	(368)	(145)	(44)	(16)	(7)	(2,224)
Total	$ 2,933	$ 1,445	$ 875	$ 603	$ 532	$ 3,466	$ 9,854

December 31, 2023	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Fair value of derivative liabilities				*(In Millions)*			
Level 1	$ (13)	$ (25)	$ (8)	$ -	$ -	$ -	$ (46)
Level 2	(3,754)	(1,049)	(489)	(204)	(99)	(50)	(5,645)
Level 3	(480)	(363)	(301)	(306)	(296)	(2,934)	(4,680)
	(4,247)	(1,437)	(798)	(510)	(395)	(2,984)	(10,371)
Less: netting by counterparty	1,644	368	145	44	16	7	2,224
Total	$ (2,603)	$ (1,069)	$ (653)	$ (466)	$ (379)	$ (2,977)	$(8,147)

December 31, 2022	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Fair value of derivative assets				*(In Millions)*			
Level 1	$ 47	$ 12	$ 19	$ 4	$ -	$ -	$ 82
Level 2	5,378	1,657	578	258	59	59	7,989
Level 3	913	620	453	398	349	3,248	5,981
	6,338	2,289	1,050	660	408	3,307	14,052
Less: netting by counterparty	(2,586)	(562)	(136)	(70)	(17)	(19)	(3,390)
Total	$ 3,752	$ 1,727	$ 914	$ 590	$ 391	$ 3,288	$ 10,662

December 31, 2022	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Fair value of derivative liabilities				*(In Millions)*			
Level 1	$ (99)	$ (11)	$ (19)	$ (5)	$ -	$ -	$ (134)
Level 2	(5,617)	(1,584)	(550)	(262)	(91)	(102)	(8,206)
Level 3	(506)	(321)	(239)	(209)	(210)	(2,777)	(4,262)

	(6,222)	(1,916)	(808)	(476)	(301)	(2,879)	(12,602)
Less: netting by counterparty	2,586	562	136	70	17	19	3,390
Total	$ (3,636)	$ (1,354)	$ (672)	$ (406)	$ (284)	$ (2,860)	$(9,212)

The following table presents the impact of certain financial instrument activity for derivative financial instruments classified as Level 3 in the fair value hierarchy for the years ended December 31, 2023 and 2022:

	2023	2022
	(In Millions)	
Fair value at beginning of year	$ 1,003	$ 456
Gains/losses in the income statement	159	767
Settlements	(531)	(254)
Transfers out of Level 3	(5)	34
Fair value at end of year	626	1,003
Deferred day 1 gains/(losses)	877	716
Derivative Asset (Liability)	$ 1,503	$ 1,719

Transfers out of Level 3 of the fair value hierarchy relate primarily to natural gas and power forward contracts that, due to the passage of time, moved into the liquid window in which market observable prices are available, and were therefore reclassified to Level 2 of the fair value hierarchy.

At December 31, 2023, and December 31, 2022, the amount recognized in the consolidated statements of profit or loss for the year relating to Level 3 held-for-trading derivatives still held was $158 million and $780 million, respectively.

The following table presents the quantitative information regarding significant unobservable inputs for fair value measurements categorized within Level 3 of the fair value hierarchy for the years ended December 31, 2023 and 2022:

	Unobservable Inputs	**Range**	**Weighted-Average**	**Fair Value**
December 31, 2023				*(In Millions)*
Natural gas price contracts	Long-dated market price	$1.29 - $8.99/mmbtu	$4.31/mmbtu	$ 996
Power contracts	Long-dated market price	$5.19 - $186.00/mwh	$44.78/mwh	$ 507

December 31, 2022				(In Millions)
Natural gas price contracts	Long-dated market price	\$2.28 - \$36.92/mmbtu	\$5.58/mmbtu	\$ 1,383
Power contracts	Long-dated market price	\$6.86 - \$288.33/mwh	\$49.53/mwh	\$ 336

The Company also used other unobservable inputs such as long-dated market price for oil products, volatilities and correlations. Changes in commodity prices could significantly increase or decrease the fair value of the Company's commodities derivatives. Generally, the Company would enter into additional derivative positions to offset any exposure.

6. Long-Term Gas Supply Obligations

The Company executed long-term transactions in 2018, 2020, and 2023 where the counterparty prepaid a total of approximately \$1,021 million in 2018, \$614 million in 2020, and \$1,500 million in 2023 for future deliveries of fixed volumes of natural gas until 2053. The obligation to deliver the natural gas in future periods is presented on the accompanying consolidated balance sheets in Other accruals and as Long- term gas supply obligations. The current financing obligation amounts to \$53 million as of December 31, 2023 and \$40 million as of December 31, 2022. The current balance matures as physical gas is delivered in satisfaction of the obligations over the next year. The interest expense is computed using the effective interest rate method applied to the original cash receipt at the onset of the contracts (see Note 8), which results in an effective interest rate of 4%. As of December 31, 2023, the fair value of the long-term gas supply obligations is \$3,333 million. The fair value is determined using unobservable inputs, primarily long-term gas prices, and so fall within Level 3 of the fair value hierarchy.

7. Leases

The Company leases a number of assets as part of its activities. This primarily includes rail cars and office accommodations. The weighted-average remaining lease term for the total lease portfolio is approximately 3 years.

The table below shows the timing of the undiscounted cash outflows for the lease liabilities included on the consolidated balance sheets.

	2023	**2022**
Undiscounted lease liability cash flows due:	*(In Millions)*	
Within 1 year	\$ 1	\$ 12
1 – 2 years	1	9

BP Energy Company

Notes to Consolidated Financial Statements (continued)

2 – 3 years	1	5
3 – 4 years	0	1
4 – 5 years	0	0
5 – 10 years	1	1
Over 10 years	0	0
	4	28
Impact of discounting	(0)	(3)
Lease liabilities as of December 31	$ 4	$ 25
Of which – current	$ 1	$ 11
Noncurrent	$ 3	$ 14

	2023	2022
	(In Millions)	
Total cash outflow for amounts included in lease liabilities	$ 4	$ 14
Short term lease expense	-	-
Additions to right-of-use assets in the year	4	12

The table below shows the impact of right-of-use assets to the consolidated balance sheets and consolidated statements of profit or loss. Lease interest expense was $0.3 million and $0.6 million for the years ended December 31, 2023 and December 31, 2022, respectively.

	2023	2022
	(In Millions)	
Net book amount of right-of-use assets	$ 3	$ 24
Depreciation charge for the year	(4)	(13)

As discussed in Note 10, the cost allocation from BPAPC includes the cost for use of office facilities. For the years ended December 31, 2023 and December 31, 2022, the amount charged for office facilities was $8 million and $9 million, respectively.

8. Interest Expense and Interest Income

Interest expense primarily relates to the long-term gas supply obligations described in Note 6, leases and the accretion of interest on counterparty collateral and interest with affiliates. For the years ended December 31, 2023 and December 31, 2022, interest expense was $93 million and $76 million, respectively.

Interest income comprises primarily of interest income on NAFCO balance. As explained in Note 10, interest income on the Company's balance with NAFCO is netted with interest expense, for a net total interest income of $964 million for the year ended December 31, 2023, and a net total interest income of $348 million for the year ended December 31, 2022.

9. Income Taxes

Tax on Profit	**Year Ended December 31**	
	2023	**2022**
	(In Millions)	
Current tax		
Charge for the year	$ 541	$ 217
Adjustment in respect of prior years	(2)	-
	539	217
Deferred Tax		
Temporary differences impact in the current year	(36)	7
Adjustment in respect of prior years	-	1
	(36)	8
Tax charge on profit	$ 503	$ 225

Reconciliation of the effective tax rate

The following table provides a reconciliation of the Company's weighted average statutory corporate income tax rate to the effective tax rate of the Company on profit before taxation.

	Year Ended December 31	
	2023	**2022**
	(In Millions)	
Profit before taxation	$ 2,177	$ 967
Tax charge on profit	(503)	(225)
Effective tax rate	23%	23%
US statutory corporation tax rate	21%	21%
State Income Tax	2%	2%
Effective tax rate	23%	23%

The movement during the year of the net deferred tax assets consisted of:

Deferred Taxes	**2023**	**2022**
	(In Millions)	
At January 1st	$ 67	$ 75
(Charge) credit for the year in the statement of profit or loss	36	(8)

At December 31st	$ 103	$ 67

The following table provides an analysis of deferred tax in the consolidated statements of profit or loss and the consolidated balance sheets by category of temporary difference:

	Consolidated Statements of Profit or Loss		Consolidated Balance Sheets	
	2023	**2022**	**2023**	**2022**
	(In Millions)			
Deferred tax liabilities				
Fixed assets	$ -	$ -	$ (45)	$ (22)
Other liabilities	-	-	-	-
	-	-	(45)	(22)
Deferred tax assets				
Contingency	(5)	5	2	5
Other assets	41	(13)	146	84
	36	(8)	148	89
Net deferred tax impact	$ 36	$ (8)	$ 103	$ 67
Of which – deferred tax liabilities			$ -	$ -
– deferred tax assets			$ 103	$ 67

Management assesses the available positive and negative evidence to estimate the realizability of deferred tax assets. A significant piece of positive objective evidence evaluated was the history of net income recognized by the Company during recent years. Management concluded the net deferred tax asset will be realized in future years and no valuation allowance is needed.

Tax benefits relating to an uncertain tax position are recognized only when it is more likely than not that the tax position, based on underlying technical merits, will be sustained upon examination by tax authorities. The tax benefit recognized for such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized on settlement. At December 31, 2023, the Company had no liabilities for unrecognized tax benefits. In addition, as of December 31, 2023, the Company had no material uncertain tax positions and, accordingly, no interest or penalties have been recorded for uncertain tax positions. The federal tax returns for 2019 and subsequent years remain open for audit for BPA.

10. Transactions with BP and Subsidiaries

The Company has transactions in the ordinary course of business with its parent and with other members of the BP Group. Such transactions primarily include the sale of natural gas, NGLs and power and are included in trading revenue, net in the accompanying consolidated statement of profit or loss, and in receivables – affiliates and payables – affiliates on the accompanying consolidated balance sheets.

As the employees conducting the operations of the Company are employees of BPAPC, the Company receives an allocation of costs from BPAPC as governed by a Service Level Agreement between the Company and BPAPC. Certain of these costs are direct costs associated with the front office trading operations of BPEC, and other costs are indirect for support services. The allocation includes benefit and compensation costs and an allocation of costs related to the facilities and information technology costs of the Company. As of December 31, 2023 and 2022, these costs amounted to approximately $88 million and $89 million, respectively. They are included in distribution and administrative expenses in the accompanying consolidated statements of profit or loss, and are recorded as payables – affiliates in the accompanying consolidated balance sheets. Affiliate balances are as follows for the year ended December 31, 2023:

Description	Line Item	Consolidated Balance Sheet	Consolidated Statement of Profit or Loss
Affiliate sales	Trading revenue, net	$ –	$ 2,571
Affiliate purchases	Trading revenue, net	–	(2,358)
Unrealized gains and losses on derivatives	Trading revenue, net	–	616
Realized gains and losses on derivatives	Trading revenue, net	–	(581)
Cost allocation	Distribution and administration expenses	–	(88)
Interest income	Interest income	–	908
Trade receivables – affiliates	Receivables – affiliates	527	–
Trade payables – affiliates	Payables – affiliates	(146)	–
Affiliate balances funding	Receivables – affiliates	19,944	–
Derivative assets – affiliates	Derivative instruments	709	–
Derivative liabilities – affiliates	Derivative instruments	(956)	–

Affiliate balances are as follows for the year ended December 31, 2022:

Description	Line Item	Consolidated Balance Sheet	Consolidated Statement of Profit or Loss
Affiliate sales	Trading revenue, net	$ –	$ 4,422
Affiliate purchases	Trading revenue, net	–	(4,388)

Unrealized gains and losses on derivatives	Trading revenue, net	–	252
Realized gains and losses on derivatives	Trading revenue, net	–	(1,069)
Cost allocation	Distribution and administrative expenses	–	(89)
Interest income	Interest income	–	339
Trade receivables – affiliates	Receivables – affiliates	358	–
Trade payables – affiliates	Payables – affiliates	(754)	–
Affiliate balances funding	Receivables – affiliates	17,702	–
Derivative assets – affiliates	Derivative instruments	729	–
Derivative liabilities – affiliates	Derivative instruments	(1,592)	–

Internal Financing Agreement

The Company maintains an Internal Finance Account Agreement (IFA) with NAFCO, a BP subsidiary, for cash management services. NAFCO serves as the centralized treasury function of BPCNA and its subsidiaries. As part of this function, business cash requirements of the Company are funded and surplus cash is invested, on a pooled basis. The balances with NAFCO at December 31, 2023, and 2022 were a net deposit of $19.9 billion and $17.7 billion, respectively and are included in receivables – affiliates in the accompanying consolidated balance sheets. As defined by the IFA, the Company either pays or receives interest on each IFA sub-account balance depending on the net balance. NAFCO and the Company net the IFA sub-accounts in calculating such interest and transfer the balances to a main clearing sub-account as permitted by the IFA agreement. Amounts received from, and amounts transferred to, the BP Group are settled in the ordinary course of business and bear interest based on London Interbank Offered Rate adjusted for an applicable margin. See Note 8 for further details.

Furthermore, BPCoNA functions as a paying agent for the majority of BPEC trading accounts payable disbursements. At December 31, 2023 and December 31, 2022, BPEC has an immaterial liability for this activity, which is included in payables – affiliates. These amounts are cleared monthly through the IFA with NAFCO discussed above. These balances with BPCoNA are considered working capital in nature and do not bear interest.

NAFCO and BPCoNA activities are presented on a net basis in the consolidated statements of cash flows. To the extent the cash management arrangement results in a net receivable due from affiliate, changes resulting from such deposits are presented as cash provided by (used in) investing activities. To the extent the cash management arrangement results in a net payable due to affiliate, changes are presented as cash provided by (used) in financing activities.

11. Goodwill

The Company recorded goodwill of $50 million in connection with the acquisition of natural gas commodity related legal entities. The goodwill balances are tested for impairment on at least an annual basis. No impairment of goodwill has been recorded. The most recent impairment test was performed in September 2023. Goodwill acquired through business combinations has been allocated to groups of cash-generating units that are expected to benefit from the synergies of the acquisition.

The carrying amount of goodwill is compared to the recoverable amount, based on a pre-tax value-in-use calculation, at the date of the test. The recoverable amount is based on the cash flows expected to be generated by the Company over the next 5 years, based on current management estimates of business activity. As the Company activity and related cash flows can be estimated from the Company's past experience, management believes that the cash flows generated over the next 5 years, aggregated with a terminal value, is the appropriate basis upon which to assess goodwill. The cash flows of the business are computed using appropriate individual economic models and key assumptions agreed by Company management. Capital expenditures and operating costs are derived from the Company's plan adjusted for assumptions reflecting the commodity price environment at the time that the impairment test was performed. The actual outcomes may differ from the assumptions made.

12. Contingencies

On August 13, 2015, an_Administrative Law Judge with the US Federal Energy Regulatory Commission (FERC or the Commission) ruled that BP manipulated the market by selling next-day, fixed price natural gas at Houston Ship Channel in 2008 to suppress the Gas Daily index and benefit its financial position. On July 11, 2016, the FERC issued an Order affirming the initial decision and directing BP to pay a civil penalty of $20 million and to disgorge $207,169 in unjust profits. On August 10, 2016, BP filed a request for rehearing with the FERC, which was denied on December 17, 2020. The FERC directed BP to pay the civil penalties and disgorgement within 30 days. BP paid the civil penalty and the disgorgement amount on December 28, 2020 and January 21, 2021, respectively. BP strongly disagreed with the FERC's decision and appealed to the 5th Circuit US Court of Appeals. On October 20, 2022, the Fifth Circuit issued its opinion on BP's appeal of FERC's orders. The court agreed with BP that FERC had substantially exceeded its statutory jurisdiction in the orders on review and remanded the case to FERC to redetermine the civil penalty in light of a correct and limited view of FERC's jurisdiction. On November 13, 2023, BP America Inc., BP Corporation North America Inc., BP America Production Company, and BP Energy Company (collectively, BP) filed a motion pursuant to Rule 212 of the Commission's Rules of Practice and Procedure requesting that the Commission issue an order directing the return to BP of the $13,606,686 in civil penalties that BP has paid in excess of the reduced civil penalty that BP and the Commission's Office of Enforcement staff agreed to in a Settlement Agreement approved by the Commission. On January 30, 2024, FERC granted BP's motion and directed the Director of the Financial Management Division in the Commission's Office of the Executive Director (OED) to take all necessary actions to facilitate the return of BP's $13,606,686 civil penalty overpayment.

BPEC may issue a variety of guarantees covering commercial activities and are generally issued in respect to counterparty customer repayment obligations. BPEC will be responsible for purchasing the counterparty customer obligation if the respective customer does not make payment when the obligation becomes due. BPEC will purchase as needed up to a stated limit on each counterparty, which does not exceed $35 million in aggregate until 2034. BPEC does not generally receive collateral to secure these guarantees. Outstanding guarantees and the carrying amount of the liability was immaterial at December 31, 2023 and December 31, 2022, respectively.

Other inquiries into BPEC's trading activities continue to be conducted from time to time. However, BPEC does not believe that it has any material exposure to loss related to any ongoing inquiries.

13. Common Control Asset Acquisitions and Disposals

During 2023, the Company and its affiliate entities realigned business activities via two separate transactions. The first transaction resulted in the Company disposing of certain operations related to its NGLs commodity transacting business. This disposal was made to another wholly owned subsidiary of BPA including $70 million of inventory and ($70) million of net accounts receivable. The disposal was made at book value and there was no impact to Additional Paid in Capital in the Consolidated Balance Sheet.

The second transaction resulted in the Company acquiring certain natural gas and transportation agreements from another wholly owned subsidiary of BPA. There was no cash payment made for the acquisition and the carrying amount of the net assets acquired of ($71) million, was recognized in Additional Paid in Capital in the Consolidated Balance Sheet.

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BP Energy Company

Supplemental Schedule A – Regulatory Capital Requirements Pursuant to Commodity Futures Trading Commission Regulation §23.101 (unaudited)

		2023
Tangible net worth		$ 18,075
Credit Risk	5,589	
Market Risk	3,008	
Adder	20	
Minimum regulatory capital requirement		8,617