13 June 2008

Russell G. Golden  
Director of Technical Application and Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
USA

Dear Mr. Golden

File Reference: Proposed FSP ARB 43-a

BP p.l.c. appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) ARB No. 43-a, which proposes to amend Accounting Research Bulletin No. 43 to change the accounting for inventories included in a company's trading activities.

BP p.l.c. is an international oil company with operations worldwide, including significant activities in the U.S. While BP p.l.c. prepares its group financial statements in accordance with International Financial Reporting Standards (IFRS), certain of our U.S. subsidiaries prepare separate U.S. GAAP financial statements and are subject to U.S. federal income tax law. Companies that value inventories using LIFO for U.S. federal income tax purposes are required to comply with the LIFO conformity requirement, and we understand that the LIFO conformity requirement is a significant technical impediment to IFRS convergence efforts.

We believe new accounting rules should cause improvements in the financial reporting of underlying economic activity. However, we do not support new accounting rules that potentially change economic reality. Companies currently using LIFO for tax purposes could potentially be exposed to punitive tax consequences if this proposed FSP is approved.

We therefore recommend that the FASB defer finalizing this proposal until the matter is resolved as part of the IFRS/US GAAP convergence project. Alternatively, we urge the Board to consider making fair value elective so that companies using LIFO can continue to comply with the LIFO conformity requirement.

Yours sincerely,

FWM STARKIE  
Group Vice President & Chief Accounting Officer

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