

It's Not Easy Being Green:

Energy Dealmaking in a Decarbonizing Future

MERGERS AND ACQUISITIONS



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ESG Pressures in M&A and Responses

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ESG Pressures in M&A: Where is it coming from?

- Institutional investors
- Public company shareholders
- Regulatory bodies
 - SEC
 - Inflation Reduction Act
 - Methane fee
 - State level requirements

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May 26, 2021 8:28 PM CDT Last Updated a year ago Corporate Governance

Exxon loses board seats to activist hedge fund in landmark climate vote

Exxon agrees to divest Arkansas shale gas assets to Flywheel Energy

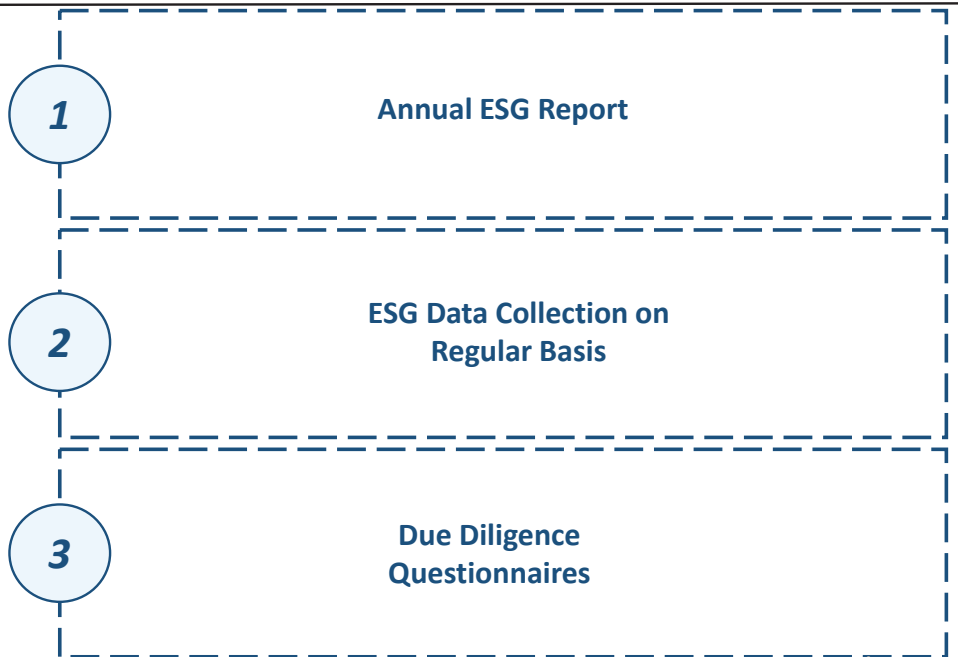
ExxonMobil to sell Barnett Shale assets for \$750 million

Exxon, Shell sell California oil assets for \$4 billion to IKAV

Exxon Gains as It Seeks Buyers for Its Shale Assets in Ohio

What's being demanded?

- Measurement of ESG factors
- Disclosure and reporting to stakeholders
- Setting goals and continuous improvement
- Implementation of net-zero targets/pathways
- Responsible production of oil & gas



Issues it creates for M&A

- Changes relating to underwriting and ultimate impact on purchase price
- Sellers need to quantify their emissions and other ESG factors
- Issues relating to a uniform standard of measurement
- Impact of negative ESG attributes of target
- Highlight ESG attributes of target

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How are Energy Companies Responding?

- Establishment of ESG Committees / Head of ESG
 - Implementing policies and procedures
- Measurement, Reporting and Monitoring
 - Measuring emissions and impact of other ESG factors -> setting benchmarks and goals
 - Publish ESG reports
 - Board level oversight (data collection, ESG-aligned compensation and HS&E goals, actions requiring Board approval)
- Investing in the energy transition
 - Investing in decarbonization businesses, technologies and services

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