

Stepping Into the Void: Current Energy Dealmaking Considerations

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Traditional Sources of Energy Capital Retreat

- ESG Pressures/Initiatives to Lower Carbon Emissions
- Oil and Gas Returns Lag Despite Growing Production
- Decline of M&A Exits

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The “Green” Problem: Balancing ESG Pressures

Banks Retreating

BNP Paribas... will no longer provide any financing dedicated to the development of new oil and gas fields... as it reiterated its target of an 80% cut of its oil exploration financing by 2030...



Reuters, May 11, 2023

HSBC will stop funding new oil and gas fields... Activist groups that have been critical of HSBC in recent years mostly hailed the move by one of the biggest lenders to energy companies in the world...



Reuters, December 14, 2022

As Well As Large Funds

The University... made the decision to remove all companies that own fossil fuel reserves from the UC Retirement Savings Program fund... the fossil fuel industry faces considerable long-term financial risk



The University of California, June 3, 2022

Following years of public pressure, Harvard said Thursday it would allow its remaining investments in the fossil fuel industry to expire, paving the way for it to eventually divest from the sector.



The Harvard Crimson, September 10, 2021

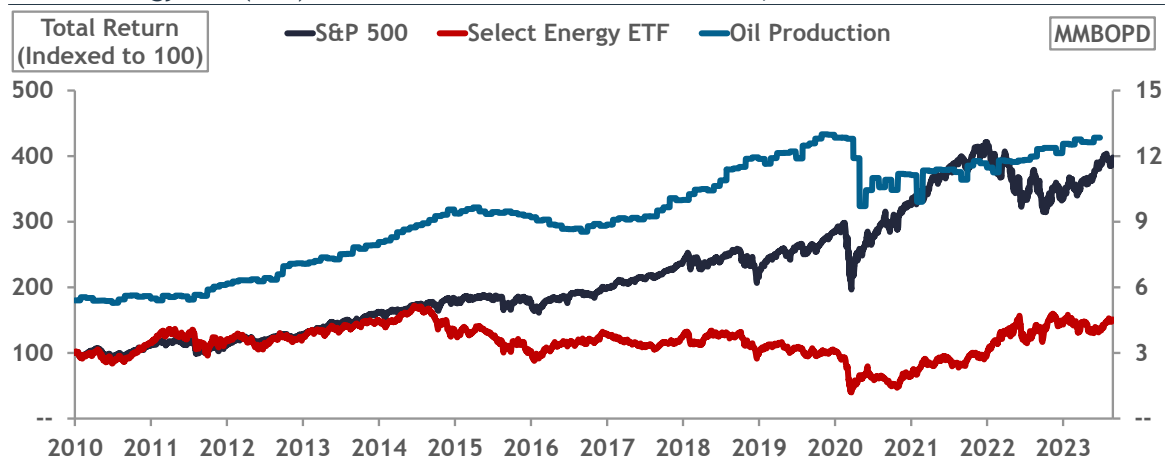
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The “Red” Problem: Returns Lagged Growing Production

Despite growing production, energy stocks underperformed the broader market

Select Energy ETF (XLE) and S&P 500 vs. U.S. Oil Production, 2010-Present



Source: EIA, FactSet.

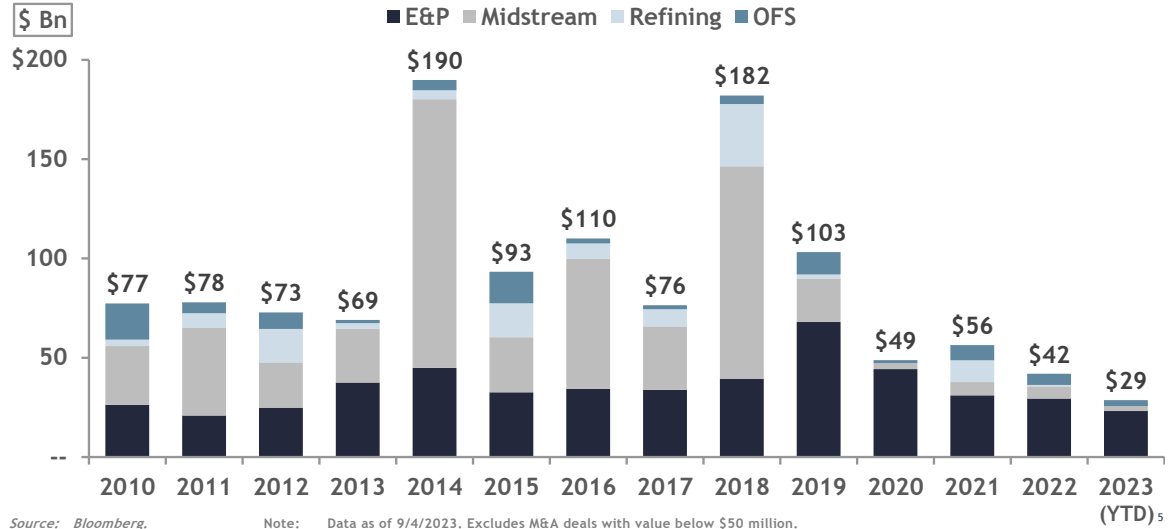
Note: Data as of 8/30/2023.

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The Decline of M&A “Exits”

U.S. Energy M&A Volumes by Sector, 2010-YTD 2023



Source: Bloomberg.

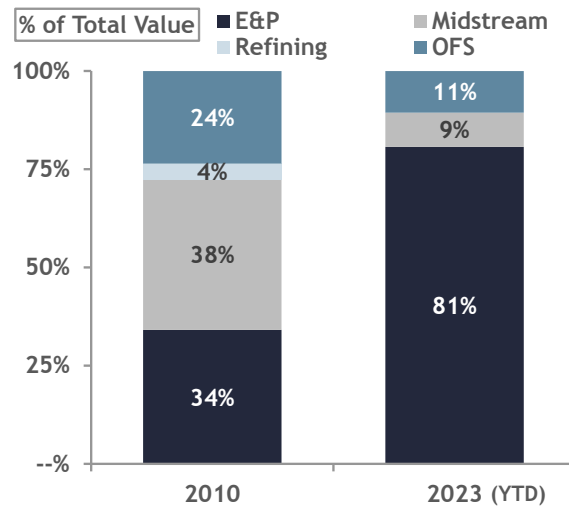
Note: Data as of 9/4/2023. Excludes M&A deals with value below \$50 million.

(YTD)⁵

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...With Activity Concentrated in E&P & Stock-Stock

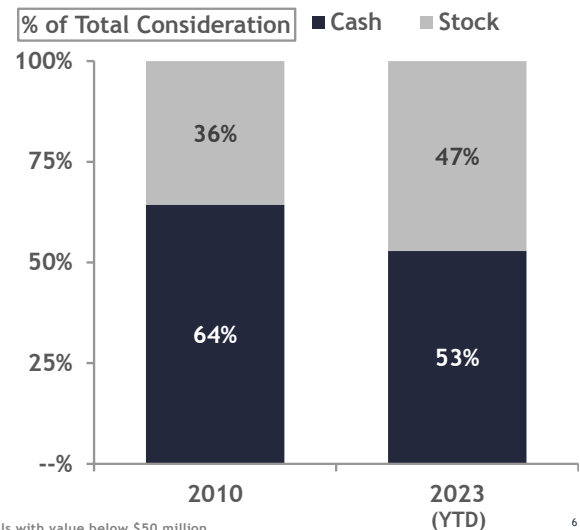
U.S. Energy M&A by Sector



Source: Bloomberg.

Note: Data as of 9/4/2023. Excludes M&A deals with value below \$50 million.

U.S. Energy M&A by Consideration Mix



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