

# 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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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

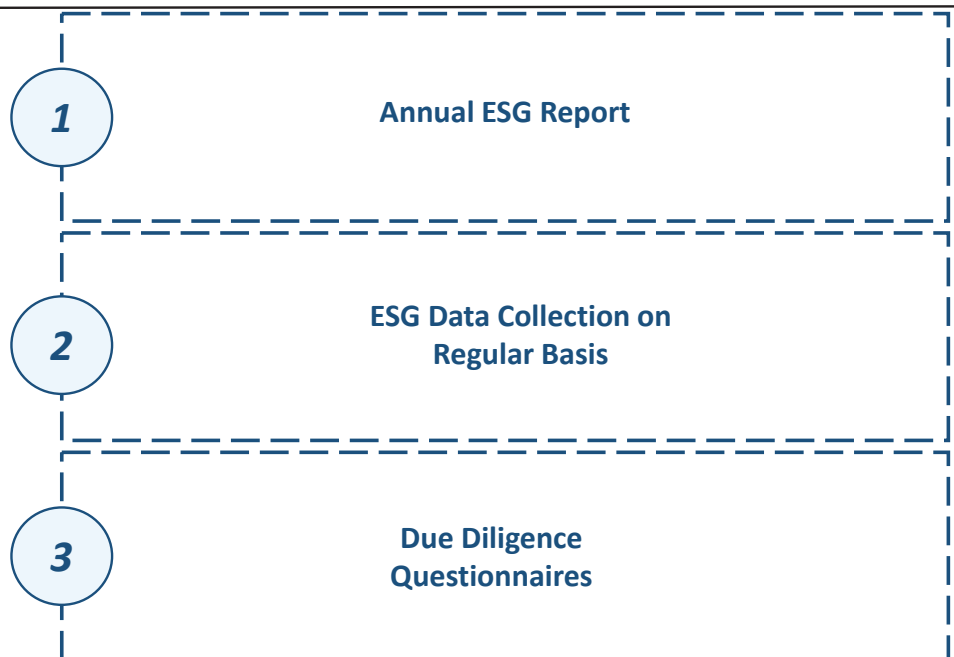
Exxon Gains as It Seeks Buyers for Its Shale Assets in Ohio

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# 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



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## 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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