

It's Not Easy Being Green:

Energy Dealmaking in a Decarbonizing Future

MERGERS AND ACQUISITIONS



Moderator:
J. Holt Foster III
Sidley Austin LLP
Dallas, TX



Jesse E. Betts
Akin Gump Strauss
Hauer & Feld LLP
Dallas, TX



Kevin T. Crews
Kirkland & Ellis LLP
Dallas, TX



Chris McCabe
Cowen Inc.
San Francisco, CA



Christina Sanders
NGP Energy Capital
Management
Dallas, TX

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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

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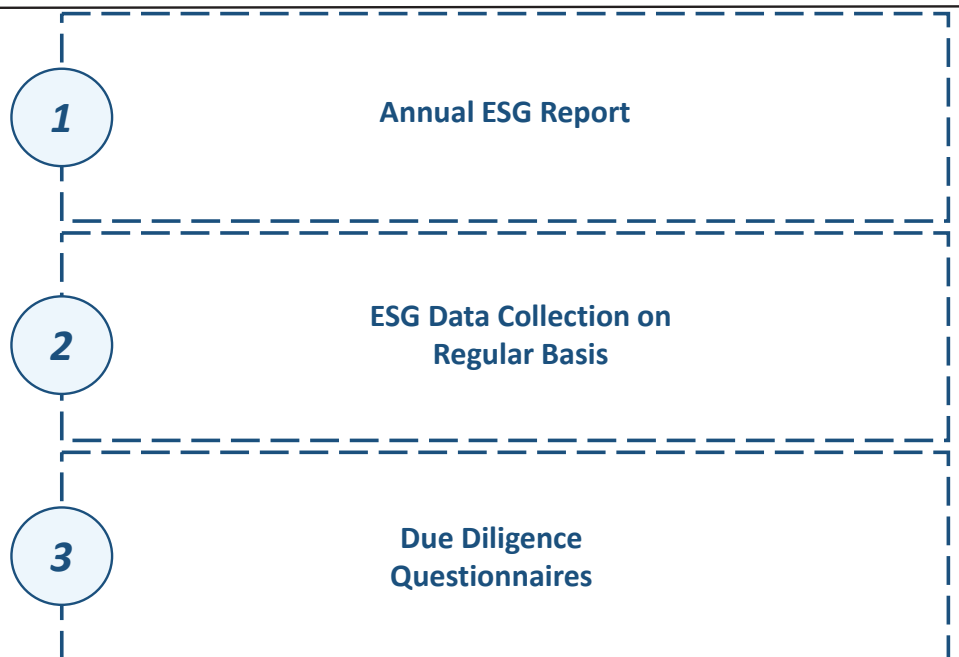
Exxon Gains as It Seeks Buyers for Its Shale Assets in Ohio

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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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