



The Energy Council is dedicated to connecting senior energy executives, investors and financiers globally. Our membership platform provides senior upstream oil & gas executives with access to qualified investors who are committed to, and active in, the oil & gas industry.

EXECUTIVE INTERVIEW

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You moderated the ‘A Glimpse into the Future – The Diversification of the Global Energy Mix: Achieving The Right Balance; What Will Energy Portfolios Look Like in 2050?’ session at the World Energy Capital Assembly – what excites you about this topic and what kind of insights were you looking to glean from the panelists and audience?

The continued transformation of the sector and the increasing relevance of ESG on energy portfolios provided endless fascinating conversation. I most enjoyed learning about how our panelists view energy transition fund management and their portfolios’ delicate balancing act between the imperative of energy security, ensuring return, and adopting green initiatives, as well as their views on ESG scoring and measurement, and opportunities around decarbonisation and hydrogen.

How is Latham & Watkins best placed to support clients in the energy sector?

Our global footprint means that we are able to bring lawyers and experience from around the world for the benefit of our clients.

We are best known for our cross-practice capability where our energy specialists sit across multiple disciplines, including M&A; leveraged buy-outs; project finance; and litigation and sanctions. We are therefore able to expertly advise a diverse mix of investors from private equity houses, and NOCs to banks and oil majors on all matters impacting their business, as well as the governments, service providers, financiers and investors that participate in this dynamic industry.

“Despite the challenging economic environment the industry has experienced in the past few years, our energy lawyers have been very active and remain at the forefront of innovation and the energy transition.”

Our work with clients covers all of the practice areas most relevant to the energy and natural resources industry, including exploration & production and access, M&A, project and corporate financing, capital markets, disputes, and restructurings.



What kind of projects are keeping you and the team busy at the moment?

Our group has maintained a healthy mixture of M&A work in the traditional energy sector, with the recent EIG and Repsol Upstream deal standing out as one example. The transaction saw EIG, a leading institutional investor to the global energy and infrastructure sectors, acquire a 25% stake in Repsol Upstream, a newly-formed global exploration and production company comprising Repsol's entire global upstream oil and gas business, valued at approximately US\$19 billion.

We're also advising clients on LNG-related transactions and deals focused on security of supply, as well as renewables companies seeking to double down on expansion or move away from over reliance on one particular energy type. That has meant a lot of offshore wind, especially in the US, but equally solar and battery storage projects. The group also has world leading experience in carbon capture and storage and we are advising on multiple projects in the US, Europe, and the Middle East.

How do you see the energy sector growing within the next 12 months? Can you identify any specific trends that will be relevant going into 2023?

I think it is really more of the same since we will likely be in a similar demand supply situation. We should continue to see the expansion of renewables, as well as the elements that accompany this such as battery storage and reinforcing energy infrastructure. Over the next year, and indeed many years, we also expect the sector to seriously invest in reinforcing electricity distribution and transmission, to prepare for larger-scale electrification within Europe and the OECD.

However, short term security of supply for fossil fuels will continue to be a theme, and that will be focused on gas. I suspect we will also see more long-term LNG arrangements and new pipeline and gas export opportunities arise. Finally,

"I expect to see there being a bit of a spike in traditional oil and gas M&A as majors continue to divest and refocus."

What challenges will deal makers within the industry face in the next 12 months?

These will depend whether they're on the fossil or non-fossil side. For oil and gas, certainly the current period of economic uncertainty impacts the forward curve valuation of elements within the energy sector so bridging valuation gaps using techniques such as contingent consideration will be needed. Public equity markets and bank lending have both been reticent on fossil fuels because of ESG drivers and that will continue over into the next year, so accessing private capital will be important for those not buying on their own balance-sheet.

Still, given the sector's attention and flexibility toward broad-scale change, plenty of opportunity remains on the horizon. For renewables, access to capital is not the issue, the problem for buyers is extreme competition for assets which can push the valuations towards a point where returns are challenging.

