



2025

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Expected Oil and Gas Trends in 2025

FROM ENERGY TRANSITION TO ENERGY EXPANSION

By Mike O'Leary and Carl von Merz

As we look toward 2025 and the transition to a new presidential administration, many questions arise as to the future trajectory of the energy industry. Since 2021, the current administration's focus has been on a massive shift toward investment in renewables and other non-carbon energy sources, with a particular emphasis on the need to lower emissions while simultaneously increasing energy sustainability. This shift is commonly referred to by experts as the energy transition. In addition, industry observers recognized that energy demand is projected to grow,

making desirable the rapid development of these alternative energy sources to satisfy existing and future increased demand.

As part of the Inflation Reduction Act, the industry saw sweeping innovation in fledgling industries, like carbon capture, usage and storage (CCUS), in which carbon oxides are used for industrial or oil recovery purposes or permanently stored in underground reservoirs), electric vehicles, sustainable aviation fuel, and hydrogen and co-located ammonia projects, to name a few. Buoyed

by tax incentives and funding available for these development projects through the Department of Energy (DOE), these new industries and new projects have steadily moved forward, creating jobs and amplifying innovation.

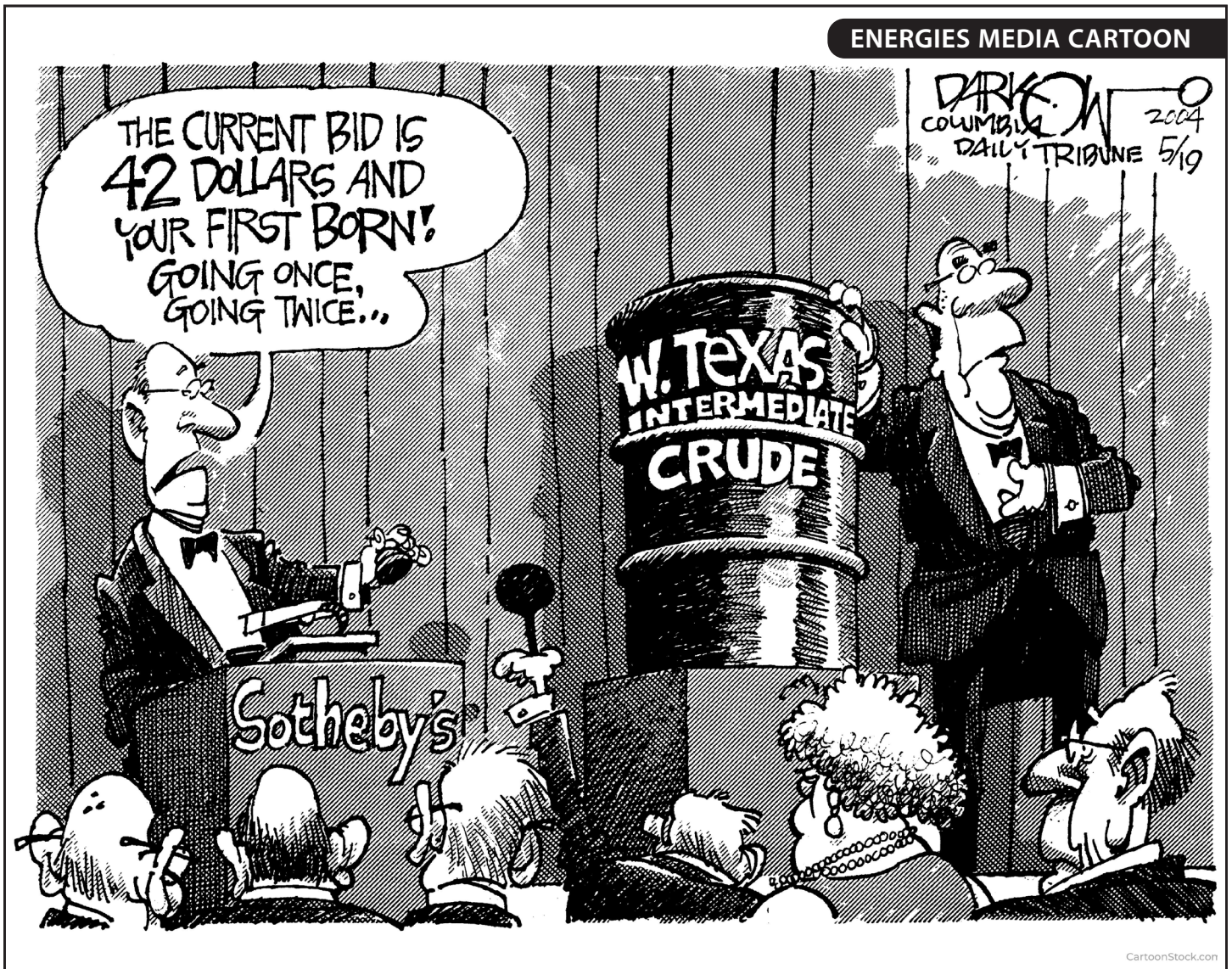
In the case of hydrogen, however, those projects are not proceeding at the pace originally projected or hoped for as there is not yet an existing robust market demand for hydrogen outside of the refinery, petrochemical and chemical industries. The current administration has had to make funds available to develop that market demand, but it is progressing at a relatively slow pace. As the new administration prepares to take power, some wonder whether the creation of the new Department of Government Efficiency (DOGE) will take aim at these IRA incentives.

Nevertheless, many political and industry experts believe that many, or even most, of these existing incentives are likely to remain intact through the next administration, though time will tell. Many of the new technologies supported by the IRA, still in their infancy, rely on DOE funding or tax incentive support, or both, to continue their upward trajectory, and gutting those supports would slow the decarbonization efforts taking place in the United States.

Additionally, many of these new industries – specifically CCUS and EOR projects – dovetail nicely with the growing realization that, with the development of new low and zero carbon power sources, an increase in oil and gas production must also remain an important component to the overall industry’s success in meeting our energy needs. There appears to be a growing recognition (albeit in some cases it is reluctant recognition) that we will need all energy sources for the foreseeable future. With the new administration comes increased optimism that this more holistic approach – which we can refer to as *energy expansion* – will become the new driving force in the energy industry.

A key factor to the idea of an energy transition lies in its name; transitions do not happen overnight, and we cannot expect these undeveloped markets and industries to replace existing energy sources without the infrastructure and profitability needed for them to thrive. In some cases, these industries could take a decade or more to ramp up to full meaningful demand and scale. And it takes time to develop critical market penetration and to build reliability and customer confidence.

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In the meantime, the demand for energy is projected to continue to increase for the foreseeable future. If industry experts are right, we may see a bigger percentage of nontraditional energy sources claim space in the industry. On the other hand, the demand for traditional oil and gas in absolute terms will also continue to grow, even if, over time, its dominance as a percentage of the overall energy market. Our energy will thus come from diverse sources. In other words, we expect to see an energy expansion.

Moving forward, for example, new power generation projects will continue to be incentivized to reduce carbon emissions from newly built plants. As many of these new projects power data centers and artificial intelligence, we expect the ultimate users of the power, including technology companies, to demand the power be generated by facilities with lower carbon intensity. The twin objectives of generating new power and reducing carbon emissions will go hand in hand, tying the future of power generation to carbon capture.

At the same time, because we will continue to need fossil fuels into the future, there is also a simultaneous need to assure that access to adequate capital is available to the fossil fuel industry to support that growth. As the transition to a new administration approaches, we have seen positive signs pointing in the direction of support for energy expansion, including increased deal activity, increased money raised by private equity for investment in all energy (including fossil fuel sources), and more deal activity on the upstream side, particularly in the Gulf of Mexico, Canada, and a variety of shale basins.

As the new administration settles in, we can point to several goals that, if achieved, will help the industry move closer to the idea of energy expansion. First, sufficient capital is needed to support development of both traditional oil and gas and renewable and sustainable projects. Specifically, it is important to support companies' access to capital in the public and private markets. On the regulatory side, it is important to increase the rate at which permits are granted, as well as the volume of permits granted, including Class VI permits for carbon sequestration wells.

To aid in this goal, the EPA would do well to accelerate the pace at which it grants primacy to states and eliminate the permitting bottleneck that has slowed the development of CCUS projects. It is entirely possible to speed up the process of granting state primacy while also adhering to the required oversight. It is important to recognize that continued delays in granting permits will also result in delays in finding ways to clean up some of these emissions sources.

Another priority should be lifting the moratorium on LNG facilities, speeding up the granting of permits for the development

of large infrastructure projects (including pipelines, commercial scale hydrogen and LNG projects and nuclear projects, among others), and enhancing the power grid throughout the country to meet the substantial increased demand for electric power. We should also see the government resume offshore lease block auctions for oil and gas exploration (not only for offshore wind projects), which have essentially been stymied by the current administration.

And finally, while financial assurance regulations have previously hindered small offshore companies' competitiveness in the offshore market, there is growing optimism that these regulations may be reversed under the new administration so the independent offshore oil and gas operators can resume their offshore development activities.

With the planned creation of the new DOGE, it appears that the new administration plans to focus on speeding up the permitting process and eliminating certain redundant regulations, all of which would undoubtedly support the priorities discussed above. Of course, these efforts, if realized, can only aid efficiency on the front end; activist groups will undoubtedly contest the construction of infrastructure projects, be it solar, wind, LNG, or even CCUS, all of which will hinder planned efficiencies.

Additionally, objections to cabinet appointments could also slow down the realization of these goals. While resistance to the idea of energy expansion might slow down opportunities in 2025, it is important to note that there is widespread public support for the continued need for fossil fuels to help meet our future energy needs without gutting the renewable incentives introduced by the IRA. As the second quarter of the 21st century draws closer, we firmly believe the industry has every reason to be optimistic about the dawn of a true energy expansion.



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