




# Mergers and Acquisitions Landscape in the Oil and Gas Sector: Challenges and Best Practices for Integrating Clean Energy Assets

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With productivity and cost-efficiency paramount, many companies turn to M&A as a core strategic lever in today's dynamic business world. During the first quarter of 2024, global M&A activity had already seen USD 51 billion in completed deals, continuing the upward trajectory established in 2023. In Australia alone, oil and gas companies have been particularly active, announcing nine deals worth a total of USD 2.2 billion in the same period (Blackmon, 2024). While M&A activities remain robust, the landscape is shifting. The integration of clean energy assets into traditional oil and gas portfolios has become a key trend, adding both opportunities and challenges to the deal-making process.

In 2023, investments in clean energy accounted for USD 32 billion of the global M&A market, representing 16% of the total deal value (Chronis, Hardin, Yee, Mittal, 2023). This trend is a clear indicator that energy companies are moving towards a more diversified portfolio, one that includes both fossil fuel and clean energy assets. However, the oil and gas industry has had mixed success with such M&A transactions, and the complexity of integrating clean energy assets into traditional oil and gas businesses remains a major challenge. Many companies have struggled to realise the full potential of these acquisitions, which calls for a structured and strategic approach to integration.

The success or failure of M&A deals often hinges on the planning and execution of the integration phase. It is at this stage that value is either captured or lost, and companies that fail to adequately address integration challenges may see their strategic objectives fall short. For companies in the oil and gas sector seeking to integrate clean energy assets into their operations, a set of best practices which focuses on careful planning, addressing cultural differences, and ensuring clear objectives, are crucial for unlocking the value from M&A transactions and achieving long-term success in a rapidly changing energy landscape.

## The Changing M&A Landscape

A significant shift is underway in the oil and gas M&A landscape. Driven by sustainability concerns, companies are increasingly integrating clean energy assets into their portfolios. This transition, while offering new opportunities, introduces complex integration challenges, including navigating diverse business models, regulatory landscapes, and corporate cultures.

## Challenges of Integrating Clean Energy Assets

The process of integrating clean energy assets into traditional oil and gas companies is fraught with challenges. One of the primary obstacles is the difference in business models between clean energy companies and traditional oil and gas firms. Oil and gas companies are primarily focused on extraction, production, and the commercialisation of fossil fuels, while clean energy companies tend to operate in renewable energy sectors including solar, wind, and battery storage. These sectors often require different skill sets, technologies, and approaches to operations.

Additionally, the regulatory landscape for clean energy is often distinct from that governing the oil and gas sector. Oil and gas companies are accustomed to operating in a highly regulated environment focused on safety, emissions, and resource management. In contrast, the clean energy sector is shaped by a different set of regulations related to environmental impact, subsidies, land access, community relationships, and government incentives for renewable energy projects. Successfully navigating these regulatory differences is critical to realising the value from M&A transactions.

Another challenge is cultural integration. Oil and gas companies, particularly those with a long history and established corporate culture, may face difficulties when incorporating employees from clean energy firms that have a different organisational culture. This difference can impact everything from day-to-day operations to strategic decision-making, making it crucial for companies to address these cultural differences early in the integration process.



Moreover, integrating clean energy assets into a traditional oil and gas portfolio involves significant financial and operational considerations. While clean energy investments offer the potential for long-term growth and sustainability, they may not always deliver immediate returns. The capital expenditures required to integrate and scale clean energy technologies can be substantial, and the financial benefits may not be realised for several years. As such, companies must be prepared for a longer integration timeline and a potentially slower return on investment.



## Best Practices for Successful M&A Integration

To effectively capture value from M&A transactions, particularly those involving the integration of clean energy assets, companies must adopt a set of best practices during the integration phase. These practices can distinguish between semi-successful and world-class transactions and are essential for ensuring that the strategic objectives of the deal are achieved. The following best practices are particularly relevant for oil and gas companies integrating clean energy assets into their portfolios.



1

### Addressing the Hard Questions

A crucial first step in integration is addressing the difficult questions that arise during planning. This includes a thorough assessment of the acquired assets' strategic fit, identification of potential synergies, and a clear determination of how the integration aligns with the company's long-term objectives, sustainability goals, and broader corporate strategy. Addressing potential risks and challenges proactively allows for the development of a more comprehensive integration plan.

2

### Identifying Cultural Differences and Addressing Gaps

Cultural integration is a key consideration in any M&A transaction, particularly when merging companies with different operational styles and corporate values. For oil and gas companies integrating clean energy assets, it is vital to identify cultural differences between the two organisations and address any gaps that may hinder the integration process. This may involve creating cross-functional teams, developing joint training programs, or facilitating open communication between employees from both sides. By fostering a collaborative culture, companies can improve morale, reduce resistance to change, and create a more unified organisation.

### 3

## Pulling Value Forward

Companies should aim to pull value forward from the integration process by focusing on quick wins and tangible benefits in the short term. While the full realisation of value from clean energy assets may take time, identifying areas where synergies can be immediately realised is essential. This could include optimising existing operations, consolidating back-office functions, or leveraging the combined expertise of both companies. By focusing on these early-stage value drivers, companies can build momentum and demonstrate the potential of the deal to stakeholders.

### 4

## Assigning Integration Planning to the Critical Few

Effective integration requires focused leadership and clear accountability. Rather than dispersing integration responsibilities across many teams, it is essential to assign integration planning to a small, highly capable group of leaders who have the expertise and authority to drive the process. These leaders should have a deep understanding of both the oil and gas and clean energy sectors and be able to navigate the complexities of the integration process. This focused approach ensures that the integration is managed efficiently and that key decisions are made quickly and decisively.

### 5

## Keeping Post-Close Simple, Then Ramping Up

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## Incentivising Delivering Targeted Value

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### Conclusion

The integration of clean energy assets presents both opportunities and challenges for oil and gas companies. This paper has highlighted key best practices for navigating this complex landscape, focusing on strategic alignment, cultural integration, value creation, and effective leadership. Adopting these practices is essential for maximising deal value and achieving both financial and environmental objectives.

## References

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