

## December 2022 – CSEE Technical Webinar

### M&A&D Influences In Evolving Energy Markets



**DEC  
13  
2022**



**TECHNICAL  
WEBINAR  
SERIES**



Could not attend  
Presented by  
Cheryl Sandercock

**M&A&D INFLUENCES IN EVOLVING ENERGY  
MARKETS**

**PRESENTED BY  
CHERYL SANDERCOCK  
BMO CAPITAL MARKETS**

To close out the year and bring some perspective into the year that was & look ahead to 2023, CSEE invited Cheryl Sandercock, P.Eng., Managing Director and Co-Head, A&D Advisory – Energy at BMO Capital Markets, to provide a synopsis on **M&A&D Influences in Evolving Energy Markets**. The session was moderated by Donna Phillips, CSEE Director & EVP – Corporate Development at Pacific Canbriam Energy Limited. The focus of the presentation was to provide general market observations and to elaborate on emerging sectors & themes.

Globally, the market continues to be impacted by adverse economic indicators such as inflation and fears of looming recessionary conditions. In addition, ongoing geopolitical tensions and environmental / social implications persist within all aspects of the worldwide economic outlook. Consequently, the effect on nascent energy transition projects may be devastating if appropriate government programs are not in place in various jurisdictions. For example, favorable economics are likely in place for such projects in the United States compared to challenging conditions for similar projects in Canada. As a result of these “road blocks” in Canada, it is likely that more capital will flow into other regions. With an already precarious energy supply / demand scenario, these factors simply add to the complexity surrounding the energy security narrative for many regions

around the world, including Canada.

Despite a remarkable run for the energy sector on the investment side of the equation since early 2021, including outperforming other industries, oil & gas company futures continue to trade at a notable discount. It was noted that the bigger energy companies are able to attract more investment capital than their smaller counterparts. Previously, growth used to be the most attractive component within a company’s business model. However, more recent trends suggest strong free cash flow generation, a strong balance sheet and modest production growth are more important & leading the way for accelerated return of capital. It was also noted that elevated inflationary pressures have resulted in stunted growth in production for most companies, even though Capex figures have risen by ±30%.

On the mergers/acquisitions/divestiture side, record levels of free cash flow resulted in a significant proportion of cash-based acquisitions in the sector in 2022 compared to 2021. In addition, an emerging and growing theme in Canada appears to revolve around Indigenous co-ownership, with most deals involving contracted infrastructure assets.

Finally, on the Energy Evolution front, the speaker reiterated that this transition affects all industries and all facets of our modern life, not just the energy sector. They stated that currently Energy Transition is a theme but not a sector. Previous advances such as the Agriculture, Industrial and Information transformations were driven by technology. However, it appears that Energy Transition Themes are driven by Public Policy, with technology to follow. With policy uncertainty and instability, it will be challenging to attract investment capital for energy transition projects. Estimates suggest \$96 to \$152 Trillion will be required to finance energy transition globally. Given the technological and investment uncertainties,

it may be prudent to allocate some of these funds for poverty alleviation and perhaps extend the net-zero timeline to beyond 2050!

As the world moves to a Lower / No Carbon Economy, private industry and government within all jurisdictions will need to work collaboratively for success and advancement, with appropriate incentives and stable public policy.

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## **SUMMARY**

In 2022 energy dynamics were again unprecedented. Financial institutions are responding to and leading in the emerging and evolving energy sectors, as well as remaining active and supportive of our fundamental energy markets. Come hear how energy transition, energy security, extreme volatility and more play into our local energy sector. We'll recap 2022 themes and explore what 2023 will bring in terms of commodity prices and M&A&D activity.

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## **PRESENTER**

*Kathleen Dixon*  
*BMO Capital Markets*  
*(couldn't attend)*

Kathleen Dixon is a Director with BMO Capital Markets in the Acquisitions and Divestitures group where she has been part of over \$20 billion in energy sector transactions. She a geologist by training, and in addition to providing technical input on the assets, she has a strong foundation in business (MBA) to help translate the technical details to value and economics. In 2019, Kathleen had the opportunity to take a 3-month leave of absence to pursue her passion for politics and run as a Candidate in Vancouver for the Conservative Party of Canada. After the election, she returned to her role at BMO and completed her ICD.D designation in 2022.

Kathleen sits on 3 not-for-profit boards, most notably the CSPG Atlas 27 Fundraising.

Presented by  
*Cheryl Sandercock*  
*BMO Capital Markets*



# M&A&D Influences in Evolving Energy Markets

presented by  
Kathleen Dixon - BMO Capital Markets

Tuesday, December 13, 2022  
10:00am MST

**\*\*pre-registration is mandatory\*\***

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