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# Southwest Chapter, Eighth Annual Energy Summit

The Secured Finance Network's Southwest Chapter, Association of Insolvency and Restructuring Advisors, and Turnaround Management Association co-hosted the Eighth Annual Energy Summit in Dallas, Texas, on September 17, 2019

BY H. JOSEPH ACOSTA



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Over 120 attendees gathered to hear from industry leaders about the current trends in the energy industry. Presentations were made by Exxon Mobil, FTI Consulting, AlixPartners, Alvarez & Marsal, Huron Consulting, Jones Day, Kirkland & Ellis, Akin Gump, Haynes & Boone, and Riveron Consulting, to name a few.

The keynote speaker, Peter Trelenberg, a manager of Environmental Policy and Planning at ExxonMobil, discussed Exxon's Energy Outlook for the next 20 years. Currently, while the populations of China and India dwarf that of most other countries, energy consumption is highest in countries like the United States, where energy is more heavily relied on for human development. Indeed, almost half of the world's energy is dedicated towards industrial activity, while commerce and trade drive transportation energy consumption by more than 25%.

As the global population grows by approximately 1.6 billion in the next 20 years, energy demand is also predicted to grow by more than 20%. Global energy consumption will shift to lower-carbon fuels, although coal is still expected to comprise almost 20% of consumption. While oil and nuclear energy consumption will increase slightly, the largest increases in primary energy consumption will come from natural gas and wind/solar energy. Meanwhile, global electricity demand is expected to rise 60%. Because oil and natural gas will remain important energy sources, trillions of dollars of investment will



be needed to generate sufficient supplies of this type of energy to meet demand.

On the more domestic front, the Restructuring Panel, moderated by Lloyd McGuire of FTI Consulting, discussed the rise in oil and gas bankruptcies in 2019 and the challenges that face financially distressed energy companies due to unsustainable capital structures, continued depressed commodity prices and a weak M&A market driven by capital providers wary of a near-term market recovery. In fact, many companies are making a return trip to the bankruptcy court to shed additional debt as pricing assumptions embedded in prior plans of reorganization did not materialize. The unique environment has, by necessity, created innovative approaches to restructuring E&P companies, including a strategy of private equity firms to “mash-up” one or more insolvent companies through a merger transaction that theoretically allows the combined companies to scale their operations and achieve certain efficiencies.

Scott Price of Kirkland & Ellis and Brian Cumberland of Alvarez & Marsal discussed how to navigate the retention of key executives necessary to effectuate a restructuring of an insolvent company. This is not a simple matter of executives (insiders) naming their price. Rather, given the restrictions imposed by the Bankruptcy Code, compensation for key executives is now largely tied to the performance of the company and other benchmarks achieved during a restructuring.

Lastly, the M&A Panel, moderated by Tony Schnur of Yuma

Energy, Inc, discussed how M&A transactions are currently less common amongst middle-market companies, where there is less liquidity. M&A transactions in this market appear to be driven by cash flow considerations and deleveraging, in an effort to create an

entity that can drill out of its cash-flow issues. While conventional wisdom is that large companies, like Chevron and BP, are gearing up to acquire smaller, ailing companies at bargain prices, indications are that investors are closely scrutinizing potential acquisitions this time around, seeking not just any bargain, but producers that can achieve the highest production at the cheapest cost. One of the panelists also reported it was taking a longer period of time for M&A transactions to close, as buyers have multiple options and fear making the wrong strategic move.

Overall, the Energy Summit shed much light on topics that have been, and should continue to be, at the forefront of everyone's mind. 📺



**Keynote Speaker Peter Trelenberg, ExxonMobil**



**Co-Chairman Peter Heinz, FTI Consulting, introducing Restructuring Panel Moderator, Lloyd McGuire, FTI Consulting; and Presenters JP Hanson, Houlihan Lokey; Sarah Schultz, Akin Gump Strauss Hauer & Feld; Monty Kehl, Huron Consulting, and Eli Columbus, Haynes & Boone**

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