

New Report Shows U.S. Oil and Gas Leaders Making Diversified Investments Amid Record Profits

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- *American oil and gas companies slashed debts, expanded domestic energy production and made large investments in low-carbon technologies in 2022.*
- *Federal tax credits and subsidies helped bolster a wide array of emission reduction projects across the industry.*
- *Sector is prioritizing digitization, renewable energy and the adoption of methane and carbon capture projects as part of its diversification strategy for 2023.*

January 17, 2023 (DENVER, Co.) - According to a new report from national law firm Lathrop GPM, oil and gas (O&G) decision makers are responding to skyrocketing short-term energy demand, the shift to long-term sustainability and a potential economic downturn by making ambitious, diversified investments.

The annual report, "Oil & Gas Market Update," includes an analysis of 2022's key events and provides insight into industry expectations for the year ahead. As part of that effort, Lathrop GPM conducted its first-ever survey of 100 US-based O&G executives and incorporated a 2023 outlook section into the report based on the results.

The report finds that, despite geopolitical and macroeconomic hurdles, as well as a rapid cooldown in energy industry consolidation, O&G companies remain optimistic in their ability to navigate today's volatile business landscape. Dealmakers plan to capitalize on healthy balance sheets to invest in renewables, digitization, and energy production facilities—and say all three are instrumental to coping with market uncertainty.

These findings come as oil and natural gas producers are poised to double their income from 2021 to a new high of \$4 trillion in 2022. In response, O&G decision makers slashed debts, expanded domestic energy production, and made large investments in low-carbon technologies throughout the year. At the same time, federal tax credits and subsidies—largely stemming from President Biden's Inflation Reduction Act (IRA)—helped O&G companies increase investment in clean energy and provide ample compensation for reaching environmental, social and governance (ESG) targets.



"This research reaffirms our experience working with some of the country's leading energy companies—O&G executives have plenty to be pleased about, and a lot to look forward to," said Patrick McRorie, Chair of Lathrop GPM's energy practice. "The industry has made remarkable strides in fast-growing fields like clean energy production and emission reduction, while ESG is gaining traction as a smart—and potentially lucrative—investment focus. As O&G companies gear up for a potential economic slump, this multipronged, sustainability-focused approach to energy investment is a promising new strategy."

In its regulatory analysis, the report also uncovers the major benefits and setbacks O&G companies have faced over the past twelve months. While the IRA enacted higher taxes and royalty rates, as well as stricter regulations for O&G companies, energy production jumped in several states, including New Mexico, Oklahoma and North Dakota.

In addition, the report outlines accelerating trends that industry leaders should closely monitor in 2023, including:

- The sector's increased prioritization of digitization and adoption of methane and carbon capture technologies.
- A tighter regulatory environment, bolstered by the Environmental Protection Agency's vow to propose new rules around methane emissions.
- Continued pressure from investors to standardize and formalize ESG reporting.
- The growing number of O&G companies using renewables to fuel energy efficiency improvements and diversify their investments.
- An emphasis on healthy balance sheets, meaning high profitability and low debt.

"On the heels of soaring profits, O&G leaders are feeling confident about 2023, especially as they consider their long-term strategies," added McRorie. "But with inflation and geopolitical threats looming, they shouldn't let their guard down. To seize this moment, market players must leverage their position to ramp up production capacity and continue laying the foundation for a low-carbon future."

Read the full report linked [here](#).