



Lathrop GPM Oil & Gas Market Update

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This year's annual report, "2025 Oil and Gas Outlook and Trends," identifies three major developments expected to shape the industry in the year ahead. Lathrop GPM surveyed 100 U.S.-based O&G executives in October 2024 on their expectations for the sector next year.

The O&G industry faces an increasingly complex business landscape, be it anticipated regulatory shifts under a second Trump administration, the rapid adoption of new technologies or ongoing pricing hurdles. It's no surprise, then, that respondents' top three concerns for the year ahead were operational efficiency and cost management issues (52%), regulatory and compliance pressures (52%), and pricing pressures (50%).

A snapshot of the report's three key areas to watch includes:

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- *Fewer than half of respondents have committed to carbon reduction initiatives like carbon capture and electrification.* Despite the U.S. government's ambitious 2030 carbon reduction goals and robust investments in clean energy, most respondents have yet to initiate actions like carbon capture (only 43% are already active in this area), carbon emissions reduction (41%), methane emissions reduction (24%) and electrification (13%). Top obstacles in pursuing such actions include cost, technological limitations and regulatory uncertainty.
- *Seven in 10 O&G companies are using (or considering using) at least one AI-integrated and/or automated technology—but implementation challenges abound.* Demand for AI continues to mount given the benefits these technologies can deliver in areas like pipeline monitoring, maintenance and reliability, forecasting and modeling. However, less than half of all respondents said their organizations are currently using AI. Top hurdles to implementation include lack of internal expertise, regulatory and compliance issues and lack of confidence in data integrity.
- *Only 25% of respondents say their organization is unlikely to pursue M&A in the next 12 months—and nearly 90% of those likely to participate anticipate using stock options to do so.* Technological expertise and operational efficiencies are key M&A drivers. For those pursuing such deals, leveraging stock options can help by, for instance, providing flexibility in structuring deals or leaving cash on hand to upgrade existing technology.

Past Updates

Lathrop GPM's 2024 Oil & Gas Market Update/Outlook Report identifies four trends that should be on the industry's radar in 2024. Each trend is supported by publicly-available data as well as the firm's own experience. In 2024, O&G faces production challenges, limited targets and pressure to transition, all at once.

Here are some important takeaways from the 2023 report.

- The CAPEX conundrum continues, with capital expenditure growth having slowed over the past two years. At the same time, capital expenditure in the first quarter of 2023 was 12% (US\$1.8 billion) higher compared with the previous quarter, totaling US\$16.7 billion.
- Energy efficiency is a top operational or investment opportunity for approximately two-thirds of execs heading into 2024. Along with cost and tax incentives, supply chain issues are cited by nearly half of execs in exploring diversification opportunities.
- Planned carbon capture, utilization, and storage (CCUS) projects have shown a sharp uptick over the past two years. Eighty-one percent of oil and gas execs believe that CCUS will have utility-scale application by 2034. This is contingent on pipeline development and system reliability.
- ESG implementation has not increased over the past year, and versus 2022, fewer are considering future implementation, while 7% say policies are currently under review. Execs identified an average of two reasons for implementing ESG, suggesting pressure is a catalyst, perhaps trumping relevance.

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

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