



## 2025 Energy Outlook Living At High Altitude



## Permian Basin Water In Energy Conference

March 5, 2025

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# Pickering Energy Partners

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# Overview

## ENERGY

- \$80 WTI Through 2027 🤨
- Understanding Of Hydrocarbon Necessity
- Headwind Now Neutral/Tailwind
- Disciplined Industry Players
- Geopolitical Fragility
- Globalization Of Natural Gas
- Mostly Apathetic Investors



## DECARBONIZATION

- Energy Transition = Infrastructure
- ET Spend > O&G Spend
- The Investment Bar Moved Higher
- Power Has Entered The Room
- Data Center Mania
- Abundant Capital





# The 2025 Oil Markets As A Meme

## The Energy Market

### Investors



### OPEC+



### Geopolitical Possibilities

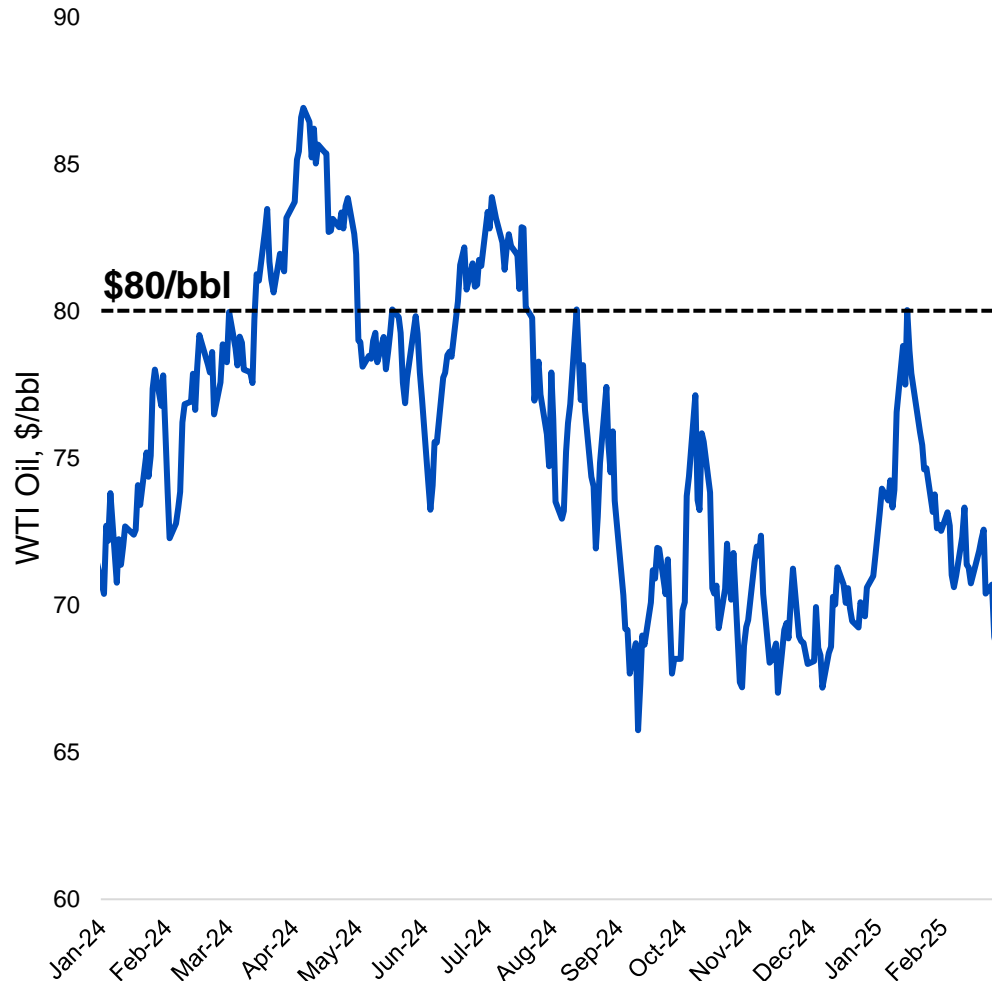


### Drill, Baby, Drill!





# Oil Market Thoughts



**\$80 WTI Through 2027**  
**\$65 - \$75 2025E**

- Relatively Balanced Supply/Demand
- Russia + Rates = Early 2025 Rally
- MidEast + OPEC = Recent Pullback
- General Bearishness
  - Fundamentals
  - OPEC+ Overhang
  - Trump Jawboning
- US Capital Discipline Will Hold
- Shale Maturity Is Not Now
- No Room For OPEC+ Return  
(\$50 WTI If They Keep Coming)
- Geopolitical Wildcards
- Risk *Higher* With Trump
- \$100 Oil Is Far Off

# Trump Oilpatch Implications

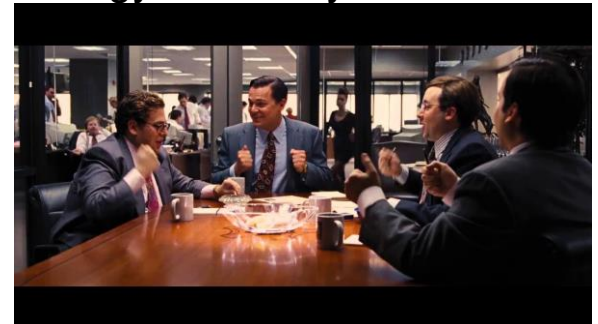
- Really Wants Lower Energy Prices
- Still Early...Watch *Actions* <

Permits

Regulations
- Easier To Do Business
- Drill, Baby, Drill - Very Unlikely
- Carrots? Sticks?
- Geopolitical Uncertainty
  - Tariffs
  - Iran Sanctions
  - Russia War
  - Coercion Of The Saudis?
- US Energy Security = Political Flexibility
- Gasoline Price Rules



Chris Wright  
Energy Secretary Nominee



One Of Us! One Of Us!

# OPEC+...A Different (Potential) Battle In 2025

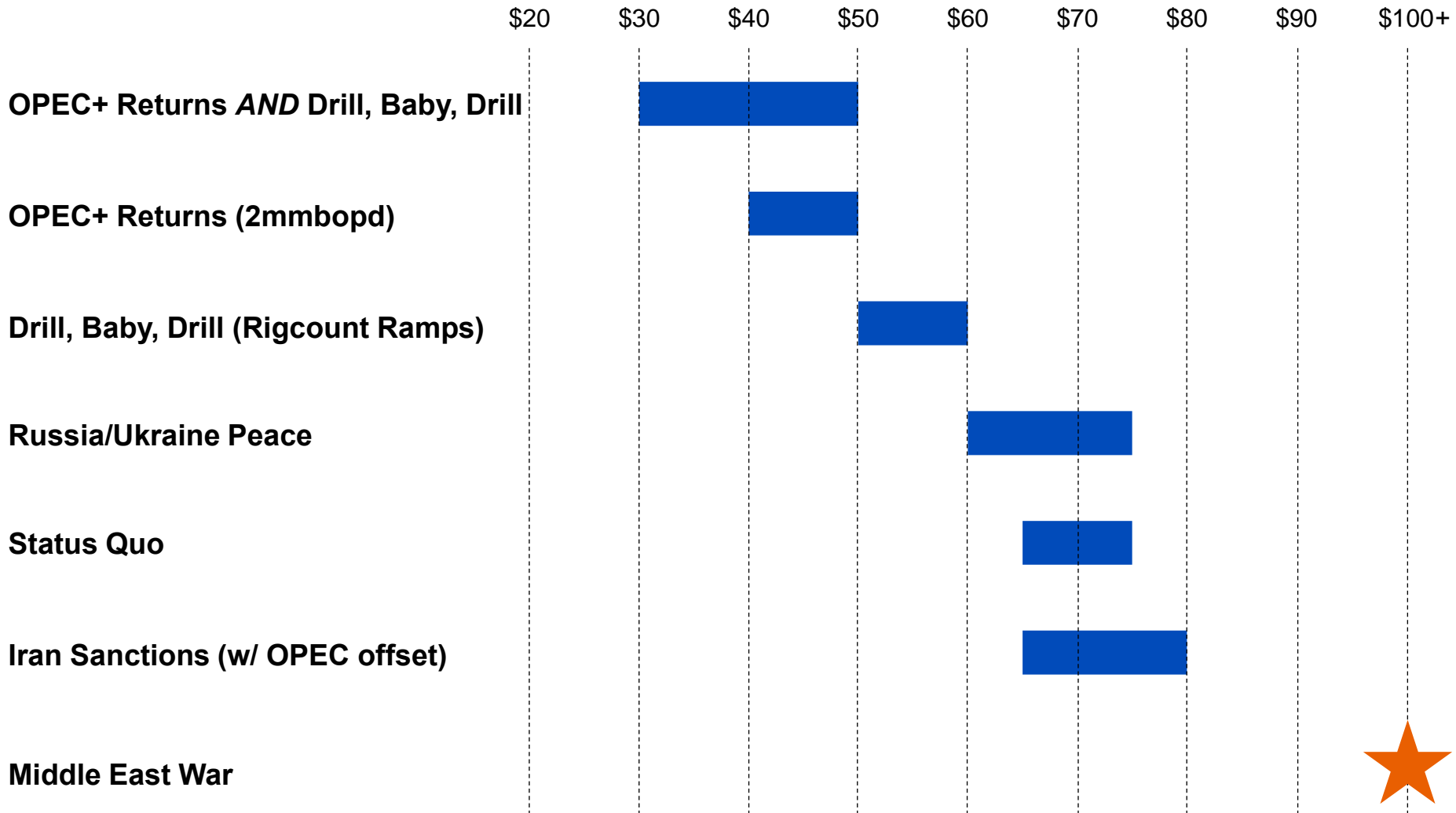
## US SHALE

- Materially Better Balance Sheets
- Materially Slower Production Growth
- Substantially More Capital Discipline
- More Permian Concentration
- Lower Well Costs
- Lower Base Declines





# Oil Price Scenario Analysis

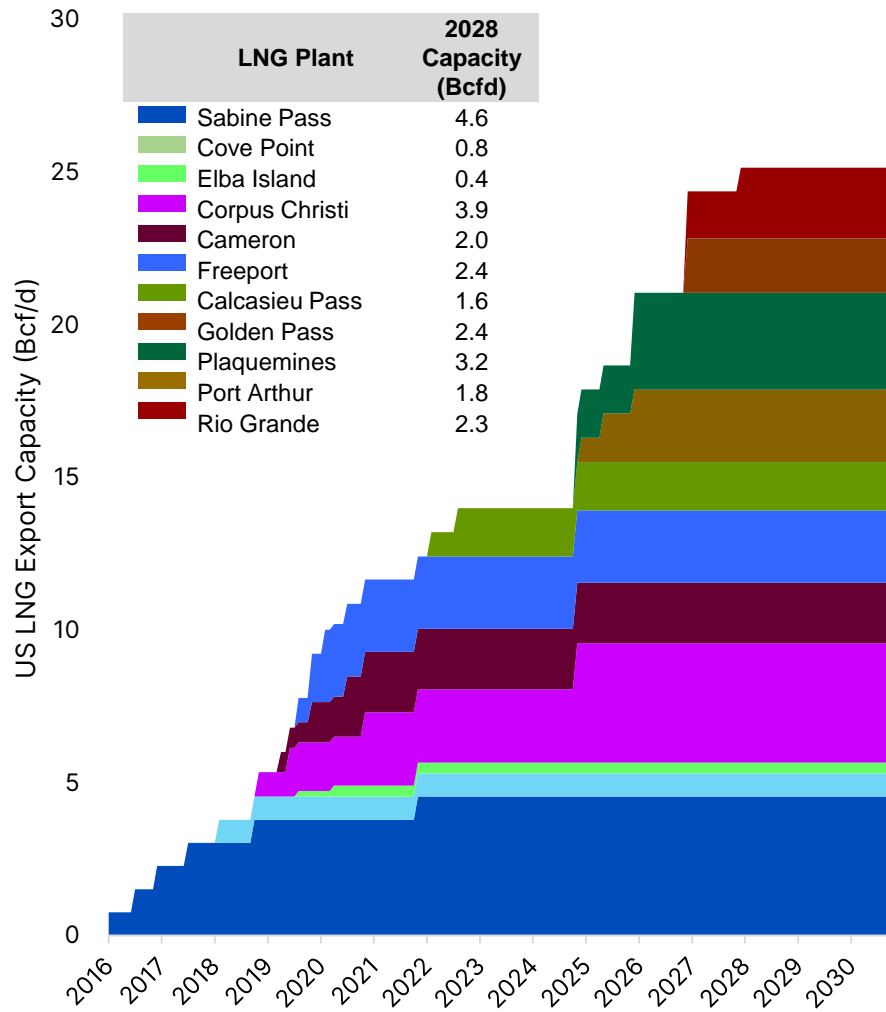






# Natural Gas Thoughts

## US LNG Export Capacity



Source: U.S. Energy Information Administration – 9/30/2024.

Note: EIA estimates are based on information from Federal Energy Regulatory Commission and U.S. Department of Energy filings, company websites, trade press, and other industry sources.

- Increasingly Bullish (With Volatility)
- 2026 Is *Finally* The Year
- Industry Has Learned About Self-Help
  - Reduced Drilling
  - Reduced TIL
  - Production Shut-Ins
- LNG Is The Linchpin
  - +5bcf/day By 2027
  - Watch Project Slippage
  - Government Headwind Now A Tailwind
- Oil Price ↓ = Associated Gas ↓
- AI Growth 2025+ (Overhyped)
- Plenty Of US Gas Supply
- Growing Realization Gas Is *Necessary*
- \$3 - \$3.50 For 2025

**\$2 Gas Is Not Equilibrium....Nor Is \$5 Gas**

# The Sun Will Come Out...Soon(ish)

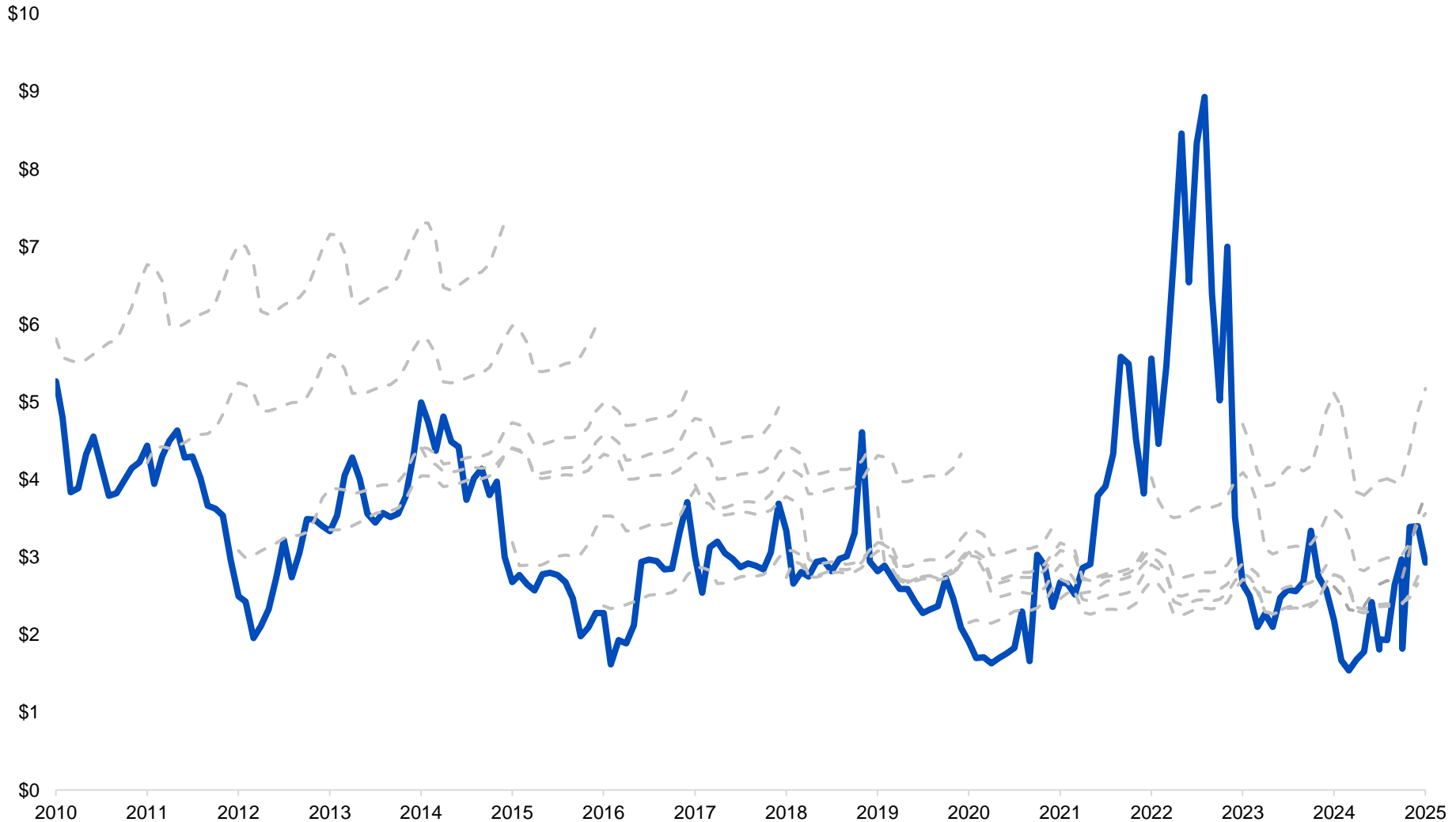
## NYMEX Natural Gas Prices 2020 – 2028E





# Gas Prices Seldom Beat “Expectations”

HH Spot Price and Annual 60 Month Strips



# Power...The New Shale Boom?



**System Complexity Is Increasing**

- Demand Acceleration Happening
- Demand Drivers
  - Economic Growth
  - Electrification Of Everything
  - Data Centers
  - Crypto
- Many Want Green Generation
- Gas Now, Nuclear Later
- Need Generation *and* Transmission
- Slow Access To The Grid
- Incentives For Speed

**DeepSeek Monday Will Force (Prudent)Evaluation Of AI Needs**

# Energy Transition – Up And To The Right

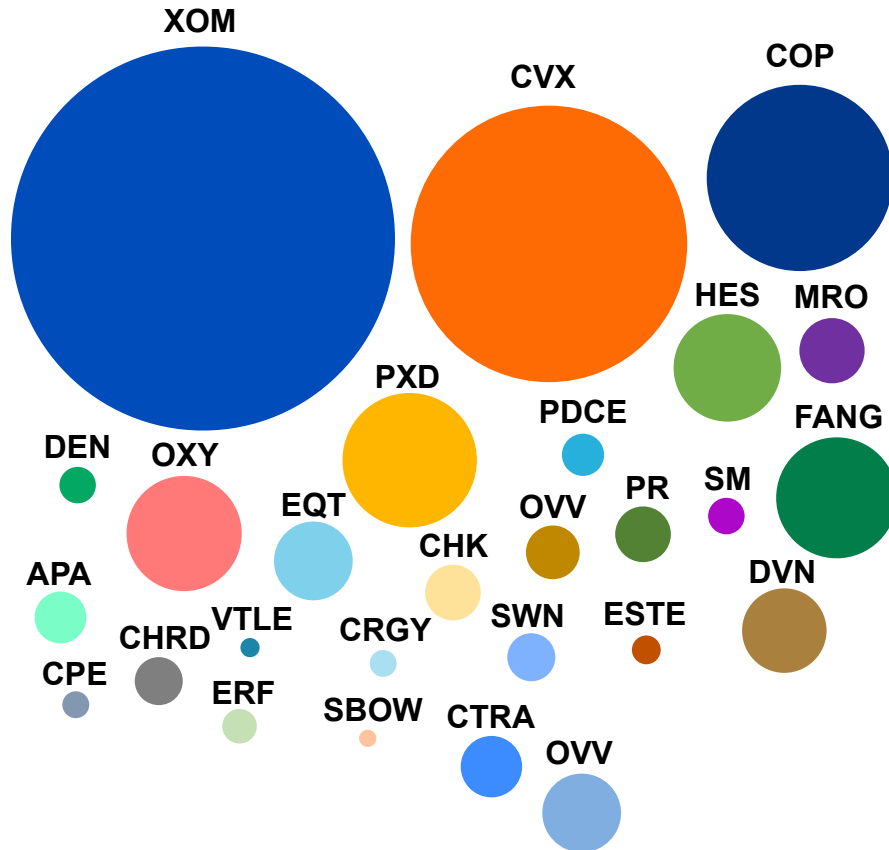
- **Spending +2-3x From Here**
- **Massive Projects**
- **Capital Lining Up To Play**
- **Return Hurdles Rising**
- **Timing Will Disappoint**
- **Trump Will Paralyze For A While**





# Consolidation...The Train Marches On

## 2023/2024 Upstream Players



- Four *Ongoing* Drivers:
  - Inventory
  - Size
  - Scale
  - Value
- \$200B+ Bet On Fossil Duration
- OFS/Midstream Also Consolidating
- More Deals Ahead
- More Gas Deals Likely



# Investing Thoughts

## Energy as a % of the S&P 500



- Still No Passion For Oil & Gas
- Another Lagging Year
  - 2024 6% (S&P +25%)
- Clean Energy Is A Disaster
  - 2023: -20%
  - 2024: -26%
- IPO Market Reviving
- Private Capital Smaller But Flowing (In Upstream)
- Selectivity Remains Key
- A Tech Crack = Opportunity?

# Conclusions

- 2025 = Tricky/Murky Oil
- Gas Is Improving
- Higher Commodity Volatility
  - \$65 - \$75 Oil
  - \$3.00 - \$3.50 Gas
- US Capital Discipline Continues
- OPEC+ Likely Blinks
- Onward March Of Energy Transition
- Muted Love For (Cheap) Energy Stocks



**We Remain In An Upcycle  
Until Proven Otherwise**



## Q&A



Metric	2024	February 28, 2025	2025 YTD
Dow Jones	15.0%	43,841	3.3%
S&P 500	25.0%	5,955	1.4%
Front Month WTI	0.1%	69.76	-2.7%
Front Month Henry Hub	44.5%	3.83	5.5%
S&P 1500 Energy (S15ENRS)	6.0%	685	4.9%
OFS Sector SPDR (OIH)	-10.5%	266	-1.8%
E&P Sector ETF (XOP)	-1.0%	131	-1.1%
iShares Global Clean Energy (ICLN)	-25.7%	11	-2.4%

Source: Bloomberg as of 2/28/25.



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