DENTONS

Power Moves

Driving deals in the North American energy M&A market 2025

September 2025

Contents

Foreword

A new energy mix

The North American energy sector stands at an inflection point. We are witnessing a confluence of forces that are unprecedented in their scope and complexity: the insatiable energy demands of an AI-powered digital revolution; the ongoing global imperative of the energy transition; and a stark recalibration of energy policy, notably within the US.

This new energy mix of the traditional and transitional makes for a challenging but undeniably opportunity-rich M&A environment. Understanding the opposing currents and crosscurrents shaping this primary sector, has never been more critical for industry leaders and dealmakers seeking to chart a path forward.

On the one hand, the momentum towards cleaner energy production continues, supported by ongoing technological breakthroughs and significant capital commitments. On the other, a renewed focus on conventional energy under the current US administration has the potential to steer capital in the opposite direction.

The findings underpinning this report were gathered at a pivotal moment, largely before the weight of US federal policymaking efforts were fully articulated. A number of executive orders passed in Q1 2025, the primary thrust of which was to bolster conventional energy sectors. They aimed to dismantle barriers to oil, gas, and coal production and use, and override previous climate-centric policies.

The "One Big, Beautiful Bill" passed by the House of Representatives in May, represents a more direct legislative effort to target the specific financial incentives included in the Inflation Reduction Act (IRA), former president Joe Biden's signature climate and energy law. These incentives had been instrumental in supporting the build-out of the country's clean energy resources and put the US ahead of the world in many respects.

Our research indicates a strong inclination among investors to find and fund energy transition opportunities within North America itself, suggesting a belief in the region's inherent strengths, even amid recent domestic policy shifts.

While this latest political development introduces fresh complexities, the core sentiment captured across North America—including Canada, with its distinct and consistently supportive federal stance on decarbonization—remain vital. They reveal investors' underlying conviction in the long-term trajectory of energy innovation and a surprising resilience in perceptions of overall policy support.

The findings of this report should be viewed in context of the situation on the ground. The majority of IRA funding to date has flowed into Republican states, boosting employment in the clean energy manufacturing sector. Job creation is consistently a key plank in the Republican Party's platform, suggesting that political pragmatism may prevail as the Senate works its will on the House legislation.

With that said, the following research aims to provide a clear lens through which to view the current North American energy transition M&A market. For all the noise surrounding this hotly debated topic, the region's energy needs must be met—and with increasing urgency. No single energy source will be capable of meeting those needs.

The M&A choices made during this defining moment will critically influence the continent's energy future.

Key findings

Overwhelming optimism for energy transition M&A

A clear majority of respondents (60%) anticipate an increase in M&A activity within the energy transition space over the next 24 months, with nearly one in five (18%) expecting a significant surge. This positive outlook is particularly pronounced among financial sponsors, 64% of whom foresee increased dealmaking, compared to 50% of their corporate counterparts.

Energy storage leads as most transformative force

Underscoring the critical need for grid stability and renewable integration, 74% of all respondents expect energy storage technologies to be the most transformative force in energy infrastructure development in the near term. Financial sponsors show exceptional bullishness here, with 86% highlighting storage, significantly more than the 47% of corporates who see it as the most transformative factor.

CCUS and hydrogen seen as integral to future decarbonization

There is near-universal agreement on the growing importance of both carbon capture, utilization, and storage (CCUS) and clean hydrogen. The survey shows 91% of respondents believe CCUS will increasingly be part of North America's decarbonization strategy in the next 24 months, and 90% feel similarly about hydrogen adoption, highlighting their perceived necessity in achieving long-term climate goals.

Emerging technologies are the primary M&A catalyst

The drive for innovation is paramount, with a majority of respondents (58%) identifying emerging technologies as one of the top drivers for their organization's M&A activity in the energy transition arena for the coming two years. This focus is even sharper among financial sponsors, two thirds (67%) of whom pinpoint emerging tech as their top M&A impetus.

Resilient perception of policy support despite headwinds

Respondents on average give a robust average rating of 8 out of 10 to the current supportiveness of North American policies for M&A in energy transition sectors. Furthermore, there is an overall expectation that this policy support will strengthen over time, with Canadian respondents expressing the most significant optimism for future improvements.

Divergent deal structures for sponsors and corporates

A clear strategic split exists in how different investor groups approach dealmaking. Our survey indicates that financial sponsors have unanimously pursued and plan to continue pursuing minority stakes, allowing for portfolio diversification. Conversely, 100% of corporate respondents have focused on and will continue to target majority stakes, underscoring their drive for control and operational synergy.

Data centers: A nexus of investment and intense energy demand

The AI boom is profoundly impacting the energy sector, with data centers at its core. While nearly half (44%) of all respondents have invested in data centers recently, there's a stark difference: 59% of financial sponsors have done so, versus only 10% of corporates. Crucially, an overwhelming consensus exists across all respondent types that data centers are placing substantial and increasing pressure on energy demand, and investment will naturally continue to follow.

Part 1: Deal dynamics

North America's energy sector is navigating a period of deep transition, with investment intentions being viewed through the prism of soaring energy demand projections and significant political recalibrations, most notably in the US under the "America First" energy policies.

In the context of this vibrant but increasingly complex landscape, investment in both renewable and conventional energy presents immense opportunities, yet demands prudence, with stakeholders vigilantly monitoring the policy direction of the US administration and its real-world impacts.

Before the recent political shift in the US, the dealmaking environment for energy infrastructure had demonstrated robust activity across both renewable and conventional sectors, according to Infralogic data. For renewables infrastructure, 2024 marked the strongest year on record in terms of value, hitting US$108.3 billion, a 13% increase on the previous year. Meanwhile, the total number of North American renewables infrastructure transactions was the second-strongest on record, reaching 500 transactions, up by 8% from 2023.

In subsector performance, battery storage shone, achieving a banner year for both value and volume and eclipsing its already record-breaking 2023. Transaction volume in the space surged by 55% to 113 deals, while total transaction value jumped 25% to nearly US$14 billion.

Solar PV infrastructure activity retained its dominance, though receded slightly below the peak levels of 2023 with a 6% fall in volume to 254 deals, and value dropped by nearly 11% to US$38.2 billion.

Conventional energy infrastructure also witnessed a vibrant year; while not reaching record highs, both deal count and value expanded, rising by 31% and 5% year-on-year, respectively, culminating in 174 deals with an aggregate annual value of US$123.3 billion.

US$108.3bn

The total value of North American renewables infrastructure investment in 2024

The landmark deal across the energy sector at large from 2024 to May 2025 was Constellation Energy's US$26.6 billion acquisition of Calpine Corporation, the largest producer of electricity from natural gas in the US.

The data for early 2025 already signals strong momentum in specific conventional areas: Gas-fired generation has had a record-breaking start, with transaction value reaching US$38.2 billion by early May. Furthermore, oil pipeline infrastructure investment has seen a notable pick-up, with 2025 figures already hitting US$15.8 billion, the highest annual figure in six years.

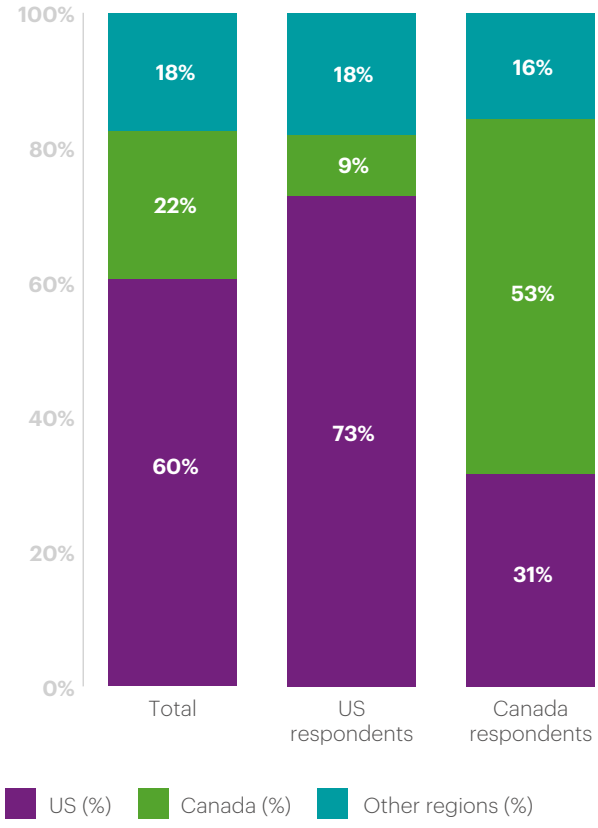
These trends highlight unwavering investor appetite and robust capital deployment across the entire energy spectrum, as the transition accelerates and priorities continue to pivot towards renewables and bridge assets.

Homeward bound

With the North American M&A market thriving, dealmakers in the region have clear intentions to invest at home. This preference resonates across both US and Canadian investor groups; a clear majority in the US (73%) and Canada (53%) intend to channel the bulk of their planned energy infrastructure investments domestically.

Consequently, US and Canadian investors are earmarking only 18% to 16% of their energy investments for regions outside North America. This domestic bias reflects surging regional demand supported by the emergence of highly energy-intensive AI combined with robust policy support, including President Trump's signing of an executive order in February establishing the National Energy Dominance Council and Canada's Clean Electricity Strategy.

Approximately what percentage of your organization's planned energy infrastructure investments will target the following regions?
(State a percentage for each)—Mean shown



Deal structures

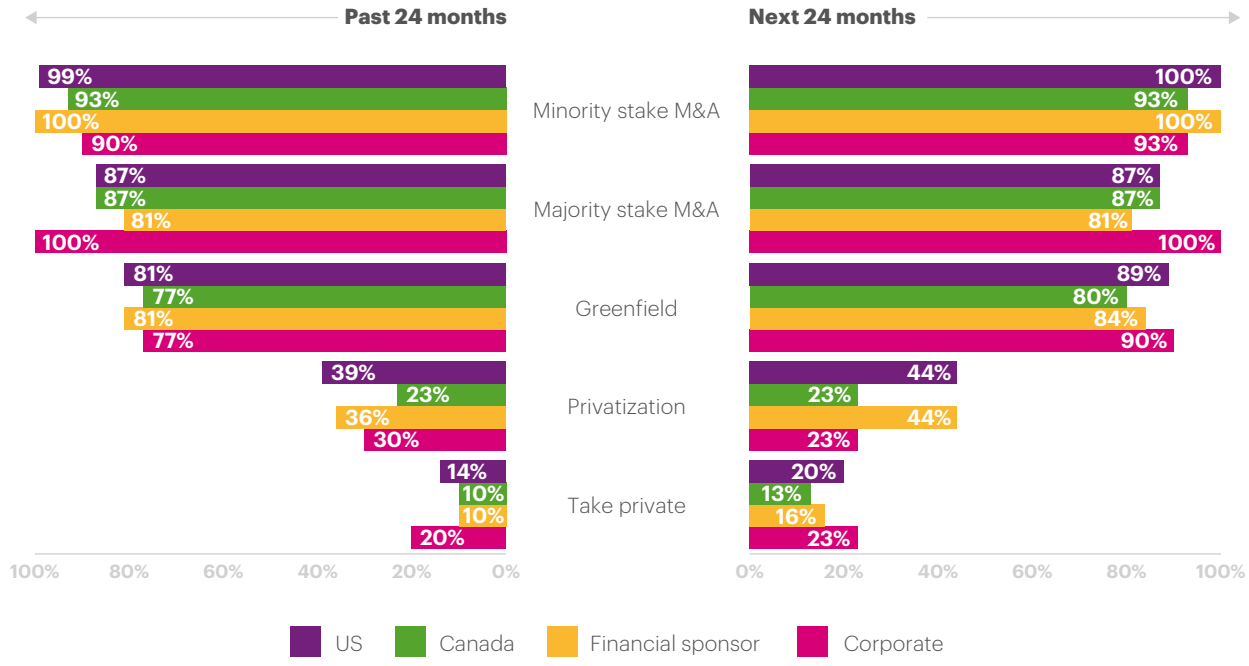
Strategic acquirers and private capital funds are charting very different courses in their dealmaking strategies. All financial sponsors surveyed have executed minority stake investments over the past two years and are set to do so again in the next two. This steadfast commitment to minority deals is key to maximizing portfolio diversification, allowing funds to secure access to high-potential assets without over-concentrating capital, while developers monetize their assets.

"Developers and strategics are looking to undertake divestment transactions, principally to free up capital and deploy that in developing new projects or potentially exploring new markets, and investment funds are the natural buyers in those deals," says Hazel Saffery, partner at Dentons. "It's still renewables that seem to be the most attractive for that flavor of transaction and typically they're partial divestments where the strategic remains as a partial owner, potentially in a control position, but stays on to operate the project."

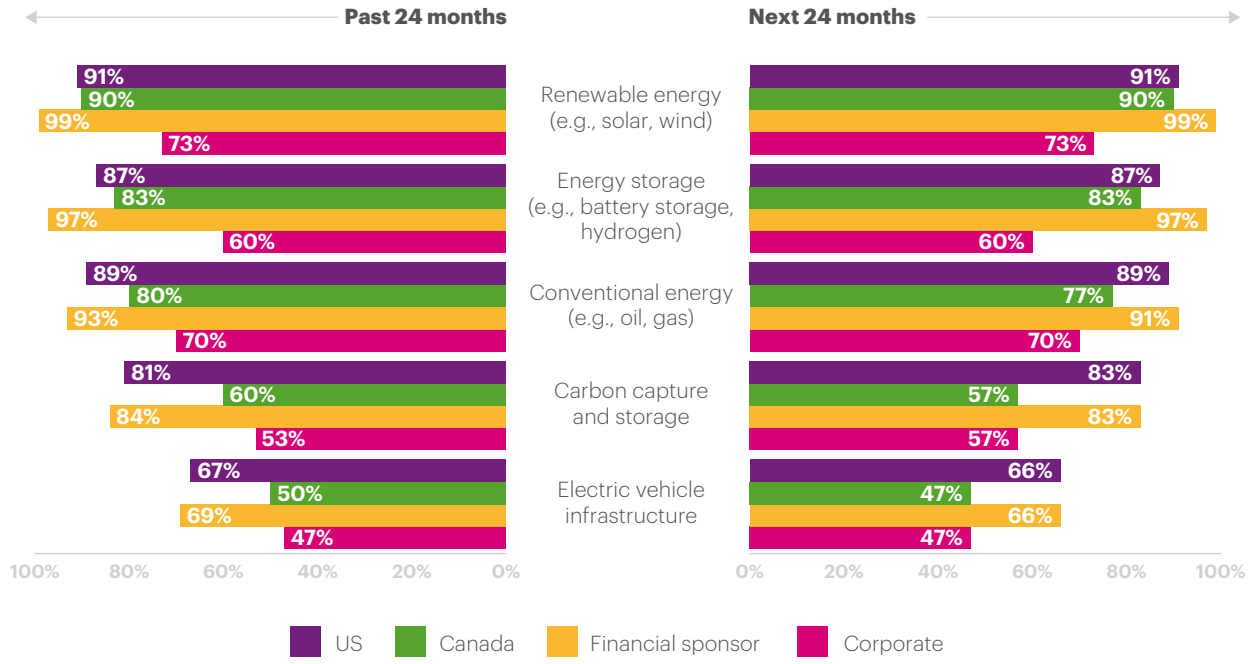
In stark contrast, every corporate surveyed decisively pursued majority stake acquisitions in the past two years and plans to replicate this strategy moving forward. This committed focus underscores their drive to secure outright control, seamlessly integrate new assets, and unlock powerful operational synergies—clear indicators of a deep-rooted, long-term commitment to their core energy segments.

Beyond these established preferences, investors are increasingly leaning towards other types of transactions. For instance, there is rising interest in greenfield investments among strategics, with 90% saying they plan to make such an investment compared to the 77% that completed a greenfield investment in the prior 24 months. This signals robust appetite among corporate investors to develop new assets from the ground up, crucial for expanding renewable capacity and modernizing energy infrastructure.

In the scope of energy infrastructure, which types of investment has your organization completed over the past 24 months? And which types does your organization plan to complete over the next 24 months?



Which of the following sectors has your organization invested in infrastructure M&A over the past 24 months? And which does your organization plan to invest in over the next 24 months?



Renewables vs. conventional energy

The push towards cleaner energy sources remains a dominant theme, with nine out of ten respondents planning to invest in renewables such as solar PV and wind production. Energy storage, which is critical for renewables given their intermittent generation, is another firm favorite; 87% and 83% of US and Canadian investors, respectively, are actively scouting for opportunities in this fast-growth segment.

Financial sponsors are especially bullish on these areas. Fully, 99% of this cohort expect to invest in renewables and 97% into energy storage assets. This is a notable margin above the 73% and 60% majority of corporates who share these same plans.

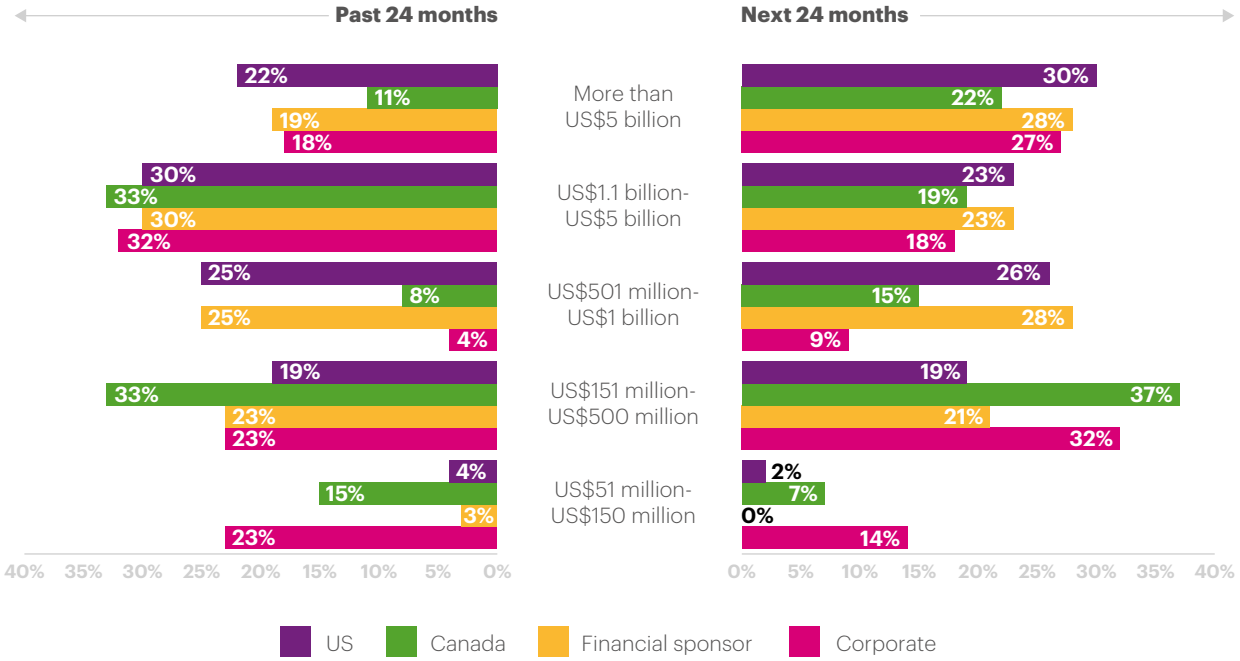
These investment ambitions are wholly consistent with their recent past investment into these areas and align with the global acceleration of decarbonization efforts and environmental, social and governance (ESG) imperatives acting as powerful M&A drivers.

"Generally speaking, most renewables projects in Canada are contracted, so they have the benefit of power purchase agreements (PPAs) which remain a key driver for revenues under those project structures," says Saffery.

However, the prevailing political environment in the US has introduced a new, more nuanced dynamic into the mix. A cornerstone of the Trump administration's "Unleashing American Energy" agenda now actively favors hydrocarbon investments, with the goal of scaling production. This appears to be shaping sentiment: 89% of US respondents plan to invest in conventional energy infrastructure assets over the next 24 months versus 77% of Canadian investors.

This dual focus is further evidenced by the significant commitment to conventional energy across investor types: 91% of financial sponsors and 70% of corporates are looking to invest in this infrastructure over this period. Acquirers have quickly attuned to the market reality and are taking a pragmatic approach that recognizes conventional assets will continue to play a crucial role in the energy mix and attract investment, including as transitional assets in the case of liquified natural gas (LNG) and carbon capture.

In regard to renewable energy infrastructure M&A, how much has your organization invested over the past 24 months? And how much does your organization plan to invest over the next 24 months?



Solar shines, wind divides

Despite renewed attention on conventional energy sources, the financial commitment to renewables remains substantial, particularly from US investors. More than half (53%) plan to invest more than US$1.1 billion in the next 24 months. Underscoring this commitment to scale, 28% of financial sponsors and 27% of corporate respondents plan to invest US$5 billion or more in renewable infrastructure.

This represents a significant uptick from the 19% and 18%, respectively, that invested at this high level over the previous 24 months, with larger check sizes signaling growing confidence in the long-term potential of these assets regardless of the US political climate taking a 180-degree turn in recent months.

Drilling down into specific renewable subsectors, solar PV is the clear leader, selected by 74% of total respondents as offering some of the most attractive opportunities. This popularity is widespread, with 79% of financial sponsors and 63% of corporates favoring it.

"Solar PV is considered a smart investment because of the extensive usage in markets today," says the CFO of a Canadian corporate. "It has become a part of residential and commercial spaces, and it immediately comes to mind when we think of viable renewable energy sources."

Various data show that the Levelized Cost of Energy (LCOE) of new utility-scale solar PV is lower than or comparable to new natural gas plants, and highly competitive with onshore wind. For example, the US Energy Information Administration (EIA) reported earlier this year that solar LCOE is on average lower than natural gas combined-cycle LCOE, even without subsidies in many US regions.

The declining cost curve, technological advancements, and existing supportive policies, though subject to ongoing review and potential changes by the current US administration, have cemented solar's position. This renewables source is followed by hydroelectric power, cited by a total of 52%, including 54% of financial sponsors and 47% of corporates.

Beyond these frontrunners, appetite varies. There is relatively lackluster enthusiasm for other renewables subsectors among corporates. In

contrast, financial sponsors highlighted onshore and offshore wind, selected by 61% and 59% of this group, respectively, compared with just 23% and 17% of their strategic counterparts.

This may seem at odds with wind power's benefits. Specifically, onshore wind has a slightly lower LCOE than solar, but the EIA estimates that approximately three times more capacity will be added by solar than wind in the US over the next five years. This is because solar power, despite sometimes having a marginally higher production cost, often delivers greater economic value to the grid when it is most needed—as measured by Levelized Avoided Cost of Electricity (LACE).

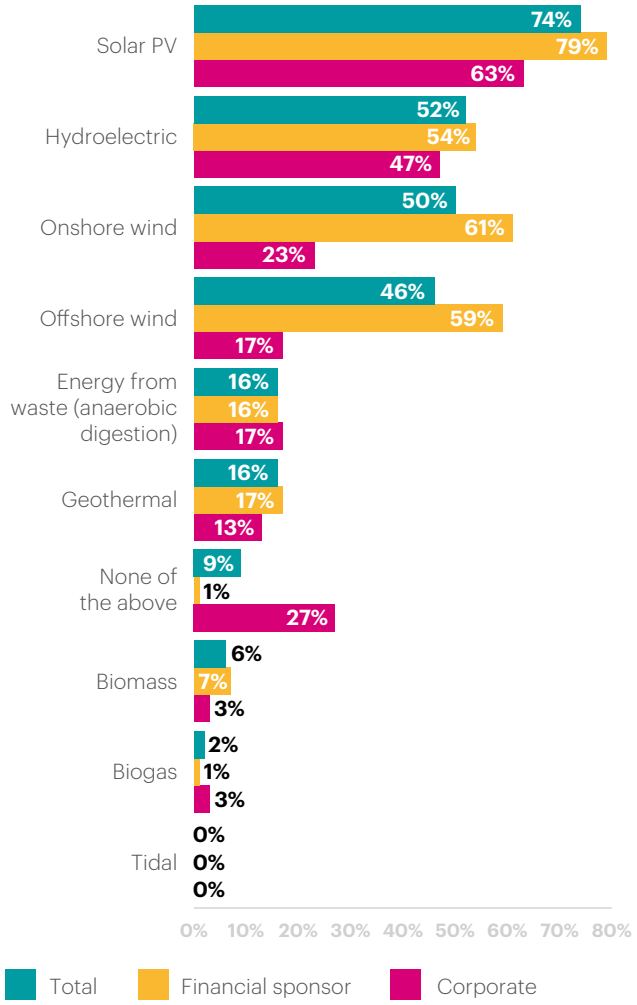
Solar power generation frequently aligns with high-demand daytime periods, offsetting more expensive power sources, thus boosting its value. Consequently, solar's attractive value-cost balance, alongside its broad deployment suitability, contributes to its larger anticipated capacity growth. Indeed, at 26.9% year-over-year, solar was the fastest-growing source of electricity in the US last year by a factor of four.

David McGimpsey, co-lead of Dentons' US region energy practice, adds that solar also benefits from its rapid deployment advantage. "Renewables are the one power source that can come online the fastest. Gas turbine projects, if you're starting from scratch, are going to come online in 2028 or 2029, but renewables can ramp up faster than conventional energy and nuclear is even farther out," he says. "And solar PV is the winner in this respect."

Clearly, the current energy policy discussions and actions in the US, particularly concerning the fate of IRA tax incentives and broader environmental regulations, are a critical overlay to investment intentions. The administration's efforts to promote hydrocarbon production and reshape energy policy is arguably one of the biggest variables impacting North America's energy M&A market today.

Counter-intuitively, however, it is in fact Republican states that are the country's renewables hotbed. Last year, Mississippi, Louisiana, and Kentucky upped their operational capacity by more than 200% year-over-year, according to the American Clean Power Association, with red states accounting for 73% of active clean power manufacturing facilities.

Which renewables subsectors will offer the most attractive investment opportunities for your organization over the next 24 months?
(Select up to three)



While the economic viability of renewables and significant investments already flowing into traditionally Republican strongholds provide some degree of confidence, the policy uncertainty is palpable. This will undoubtedly continue to shape deal flow, risk assessment, and strategic decision-making across the region's energy industry for the foreseeable future.

Part 2: Drivers and risks

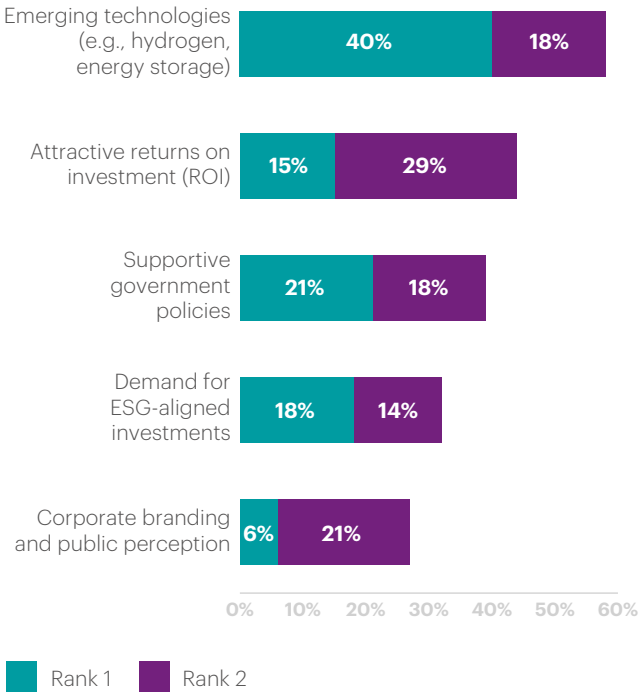
Sharply rising energy demand fueled by the AI revolution represents one of the most compelling investment cases for a generation. However, this rising tide is set against an extremely complex backdrop.

Geopolitically motivated supply chain frictions, high project costs, and precarious credit market conditions are a real and present threat to the energy transition. North America's newly divergent carbon policies are another point of contention. At the federal level, Canada is committed to clean energy, while the US is seemingly heading in the opposite direction. Investors therefore need to identify execution risks with greater precision, balancing those with the opportunities for outsized returns.

With this in mind, our survey findings underscore the pivotal role of technological advancement, revealing that the majority (58%) of respondents view this as a top important driver of their organizations' M&A activity in the energy transition space over the next 24 months. This sentiment is particularly strong among financial investors, with two thirds (67%) of sponsors considering emerging technologies as a primary deal driver. This contrasts with corporate respondents, of which only 37% share this view.

Beyond mature renewables, emergent fuels like green hydrogen, ammonia, and renewable diesel are prime examples now capturing significant investor interest. Carbon management technologies like CCUS and Direct Air Capture (DAC) are also crucial for industrial decarbonization, with deals focusing on specialized removal technology and sequestration capabilities. Additionally, next-generation battery storage for enhanced grid stability, innovative Small Modular Reactors (SMRs) for clean firm power, and AI-powered grid modernization tools are seeing interest aimed at scaling these frontier technologies.

What are the most important drivers of your organization's M&A activity in the energy transition space over the next 24 months?
(Select top two and rank 1-2, where 1 = most significant)



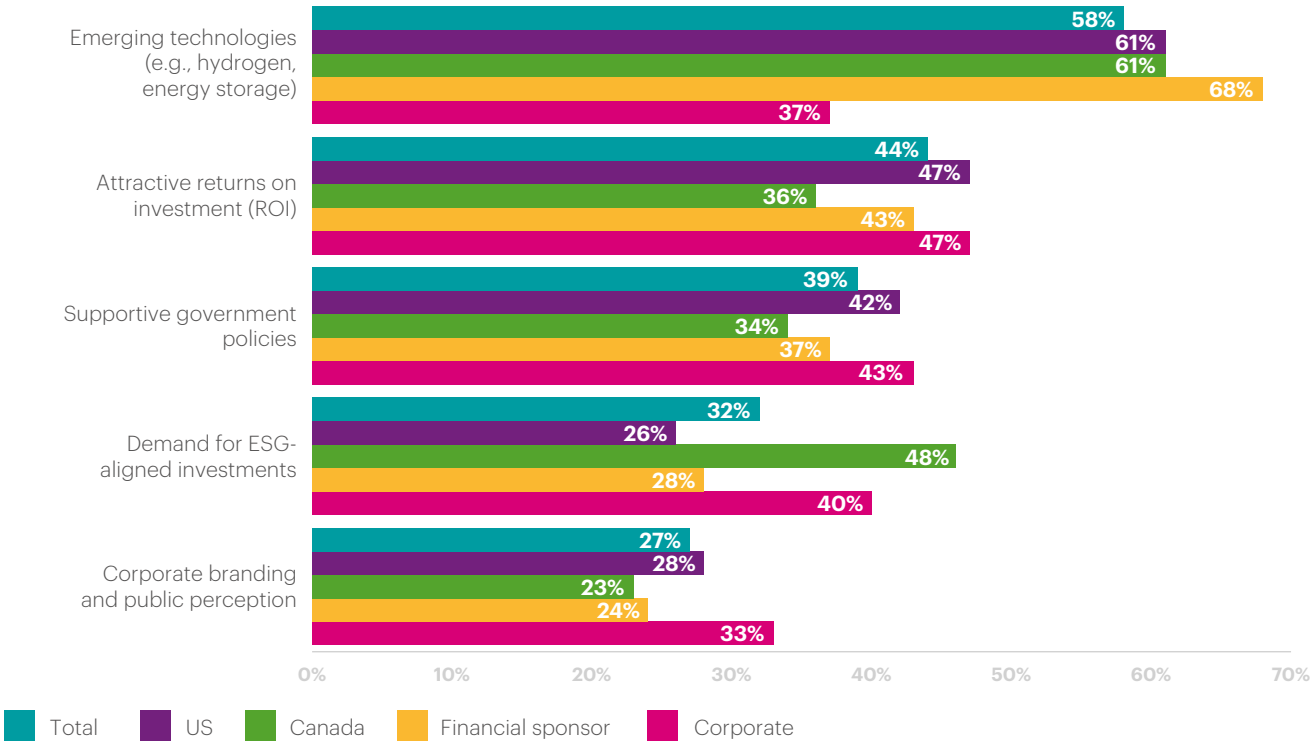
The stronger emphasis on emerging technologies by private capital funds compared with corporates reflects sponsors' mandate to seek higher growth and potentially higher returns, and their ability to leverage specialized funds. Furthermore, their strategies often focus on compressed value-creation phases within the development cycle of these newer technologies. They are typically prepared to inject capital and expertise to achieve technological validation and market-scaling milestones within their limited investment period prior to exit. This contrasts with corporate investors who often prioritize technologies with immediate synergies with their existing operations and clearer paths to long-term, integrated earnings growth.

The fundamental pursuit of attractive returns on investment (ROI) is also a significant M&A driver, cited by 44% of all respondents. For corporates, in particular, attractive returns (47%) are more commonly highlighted as a top driver than emerging technologies, though targeted returns differ from one investor to another.

Achieving these targets is made possible by several factors including declining cost curves and established revenue streams through long-term PPAs for mature renewables, the high growth potential and premium pricing power in nascent but critical sectors like battery storage, the increasing market value of strategically de-risked development assets, and enhanced project economics due to government incentives.

Nevertheless, the immediacy of ROI is a factor that cannot be ignored. "In the past two years, you've seen a shift to more conventional assets," says William Davis, a partner in Dentons' corporate, tax, and private client practice. "There's still obviously a lot of incentive to target renewables assets and you saw this with Big Oil a couple of years ago. But the mandate has shifted. They are looking at opportunities to improve their balance sheets with deals that will drive returns today."

What are the most important drivers of your organization's M&A activity in the energy transition space over the next 24 months? (Select top two)



Government support

Government policy is a crucial enabler of energy transition M&A, with 43% of corporates and 37% of sponsors highlighting it as a top deal driver. "We're primarily focused on the opportunity to invest in new technologies, but more supportive government policies would certainly encourage us to consider new deals given how the energy transition space is becoming more competitive," says the managing director of a US sponsor.

In the US, the IRA unleashed over US$300 billion of planned private investment through its long-term tax credits, grants, and loan programs for clean energy, domestic manufacturing, CCUS, and hydrogen. Latterly, the fate of future investment is less certain following the policy shift of the current administration and its efforts to curtail the IRA's provisions.

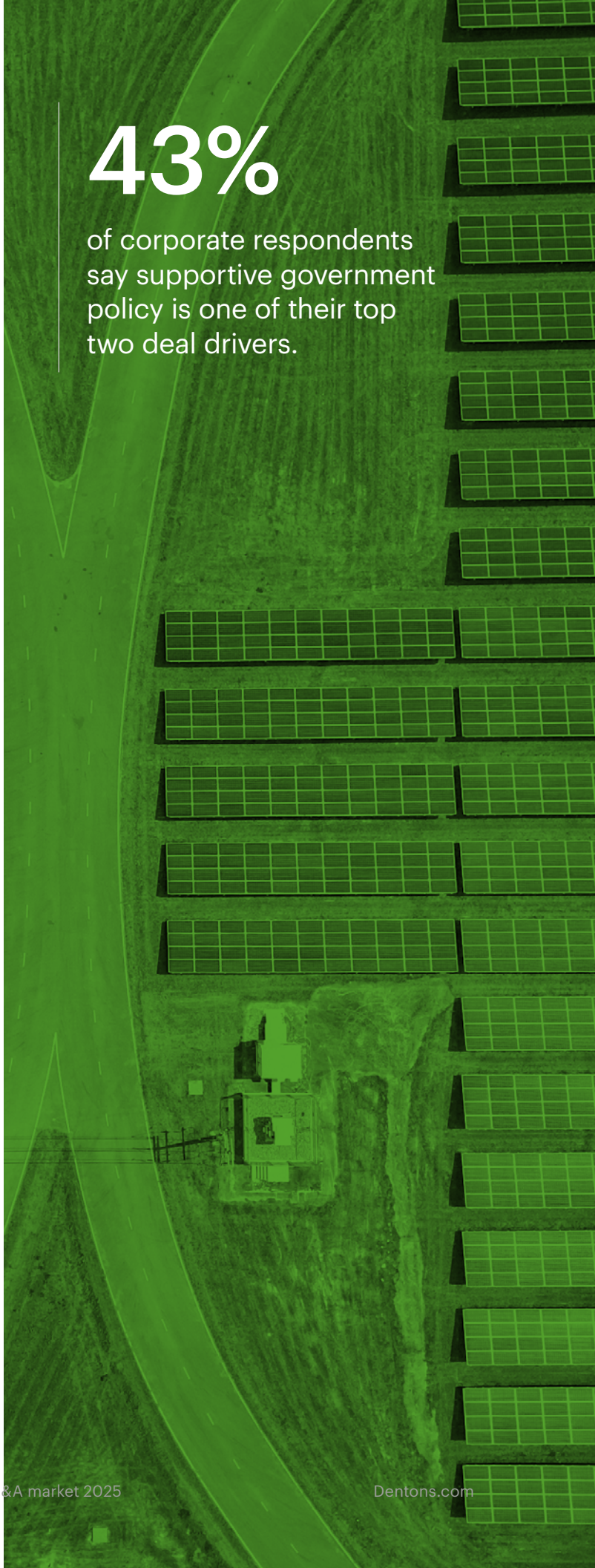
"Regulatory and legislative challenges may hinder M&A activity. If there are uncertainties regarding government policies and they aren't specific enough, then it will affect dealmaking to some extent," says the managing director of a US financial sponsor.

In Canada, federal initiatives such as the Clean Technology Investment Tax Credits, the CCUS ITC, and the Clean Electricity Regulations, which have been drafted and were announced in December 2024, aim to drive investment towards a net-zero grid by 2035. However, these national policy ambitions can be fragmented by differing provincial approaches, creating a patchy market that investors must navigate carefully.

For example, Alberta's tightening of renewable project regulations, following a development moratorium in 2023, introduced a new "agriculture first" approach that placed restrictions on certain lands, established buffer zones around protected areas, and added requirements for developers to provide bonds or security for reclamation costs, introducing investment complexities for solar and wind. At the same time, Québec offers a different set of conditions, with its government actively driving hydropower expansion and pioneering large-scale green hydrogen projects.

43%

of corporate respondents say supportive government policy is one of their top two deal drivers.



Policy uncertainty is a major concern for investors, 42% of all respondents flagged this as a primary risk factor. This is felt more acutely by Canada-based respondents, 53% of whom selected it as a top concern, though this potentially reflects the longer time that this cohort has sat with this risk compared with the more recent looming threat to the IRA faced by US investors.

Market volatility

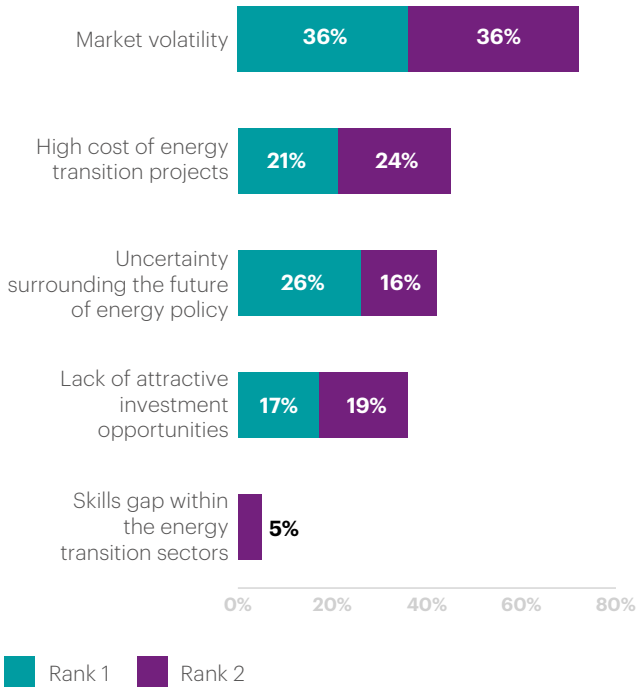
However, it is market forces rather than policy uncertainty that rank above all else as the greatest risk to energy transition M&A. This encompasses a broad range of variables including volatile commodity prices and elevated interest rates that directly impact the cost of capital for M&A and project economics.

In May, borrowing costs in the US were driven higher by acute concerns over the US government's fiscal prudence. Yields on 30-year treasuries spiked to a near two-decade peak of 5.15%, while 10-year notes topped out at 4.6%. Despite the Federal Reserve cutting the baseline interest rate by one percentage point over the course of September to December, muted demand for treasuries has put upward pressure on yields and this has a pass-through effect on borrowing in the real economy.

The sheer capital intensity of the energy transition is also a major hurdle. More than half (51%) of US-based respondents point to this as a top risk. This reflects not only the intrinsic costs of developing and deploying new technologies and large-scale infrastructure, but also the impact of recent inflationary pressures on materials such as steel, copper, and critical minerals as well as equipment and labor. High interest rates further amplify these costs by increasing the expense of financing capital-intensive projects.

"Energy transition projects do involve high costs, and there are unexpected expenses associated with this investment as well," says the vice president of finance of a Canadian corporate, adding that these are not isolated to initial funding outlays. "Sudden malfunction and other costs can also mount up beyond expectations."

What are the greatest potential risk factors that may negatively impact your organization's M&A activity in the energy transition space over the next 24 months? (Select top two and rank 1-2, where 1 = most significant)



Secondary risks

A number of existential secondary risks loom large over energy transition dealmaking. The IRA's domestic content provisions, which offer bonus tax credits for projects meeting certain thresholds for US-sourced materials and manufacturing, have been a powerful incentive to date. In light of recent moves by the US administration to levy import taxes, this has taken on renewed impetus for project developers to source materials and components from non-tariffed jurisdictions.

As a direct consequence, M&A activity is likely to shift towards deals aimed at acquiring or investing in US-based renewable energy component manufacturers as operators seek to derisk their project pipelines. Rising interest is expected in joint ventures between international technology providers and US firms to establish domestic manufacturing

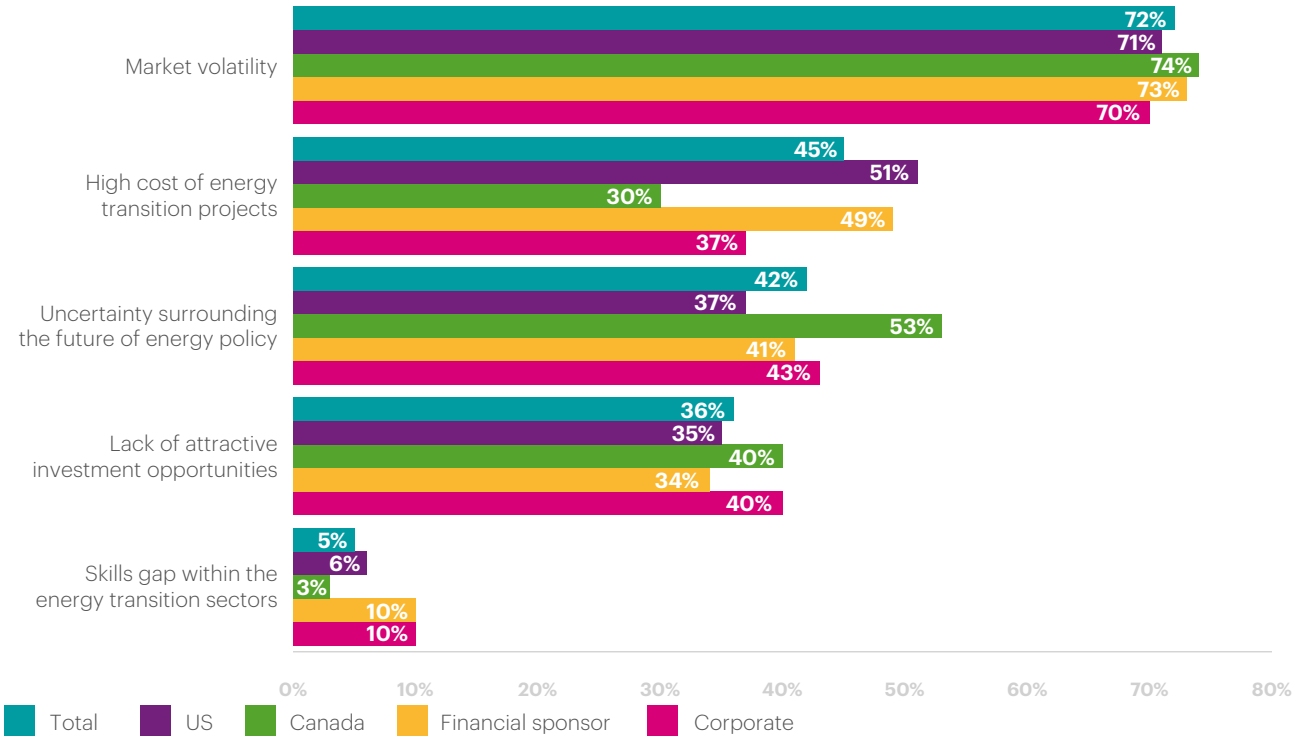
facilities. Furthermore, deal structuring is already beginning to see more robust clauses addressing supply chain risks, tariff impacts, and specific due diligence on the origin of materials, adding layers of complexity and cost to transactions.

Another growing operational risk is that grid issues are becoming a genuine bottleneck for new energy projects, significantly influencing M&A. Interconnection queues for new renewable and energy storage projects in major US Regional Transmission Organizations and Independent System Operators, like PJM, MISO, and CAISO, are notoriously long. Wait times from initial application to commercial operation can span three to five years and, in some cases, significantly longer.

This directly impacts project development timelines and financial viability. The lack of adequate high-voltage transmission capacity to transport renewable energy from often remote, resource-rich areas, like the Midwest for wind or the Southwest for solar, to load centers remains another major constraint, with large-scale transmission projects facing their own lengthy permitting and development challenges.

Grid limitations are now profoundly impacting how investors assess project viability and risk, which in turn shapes M&A. There is a clear market premium for projects that have already secured interconnection agreements and are further along in the queue. Deal strategies have adapted to acquiring portfolios of development-stage projects that possess these rights, even if other aspects of the project require further work.

What are the greatest potential risk factors that may negatively impact your organization's M&A activity in the energy transition space over the next 24 months? (Select top two)



Part 3: Digitalization and technology

Advanced technologies are foundational pillars in modernizing the energy sector, fundamentally reconfiguring how critical infrastructure is designed, built, operated, and optimized.

While the variety of these technologies is wide and diverse, energy storage is anticipated to be the most impactful in the immediate term.

Almost three quarters (74%) of respondents pinpoint storage technologies as being the most transformative over the next 24 months. This consensus underscores storage's critical role in modernizing energy systems by enhancing grid stability and reliability, particularly as more variable renewables are integrated. It enables capturing energy when abundant for later dispatch, thereby improving power quality, deferring costly grid upgrades, and bolstering resilience.

While lithium-ion batteries dominate, M&A interest is growing in emerging areas such as sodium-ion, flow batteries for long-duration needs, and advanced thermal or mechanical solutions. Even conventional energy can reap benefits, as storage can optimize gas plants or provide essential back-up capacity.

Enthusiasm for energy storage is particularly pronounced among financial investors; our survey shows 86% of sponsors believe storage will be an especially transformative technology, compared to only 47% of corporates. This suggests that sponsors, with dedicated funds, see compelling high-growth standalone storage opportunities, while corporates might more often integrate storage within larger projects or for their own operational resilience.

This enthusiasm is warranted, and overall deployment of storage technology continues to grow. However, the sector also faces headwinds, evidenced by notable financial distress and a string of bankruptcies, particularly among battery manufacturers and those pioneering novel technologies. The high-profile insolvency of major players like Northvolt, which filed for Chapter 11 bankruptcy protection in the US in November and subsequently filed for bankruptcy in Sweden in March this year, is indicative of the intense pressures these companies face. Competing in a fiercely contested market, particularly with the presence of large, established Asian manufacturers who can often produce at a lower cost, calls for rigorous investor scrutiny in this incipient, capital-intensive subsector.

"The challenges faced in the battery development industry recently has obviously dampened the mood when it comes to those kinds of businesses, which have expanded significantly in a very short time. A lot of that stems from overestimating the growth of North America's electric vehicle market," says Hazel Saffery, partner at Dentons. "Some of those expansions now look as though they happened too quickly. But certainly, having significant energy storage resource is going to be key going forward as we get back into procuring renewables, at least in Canada."

Digital applications

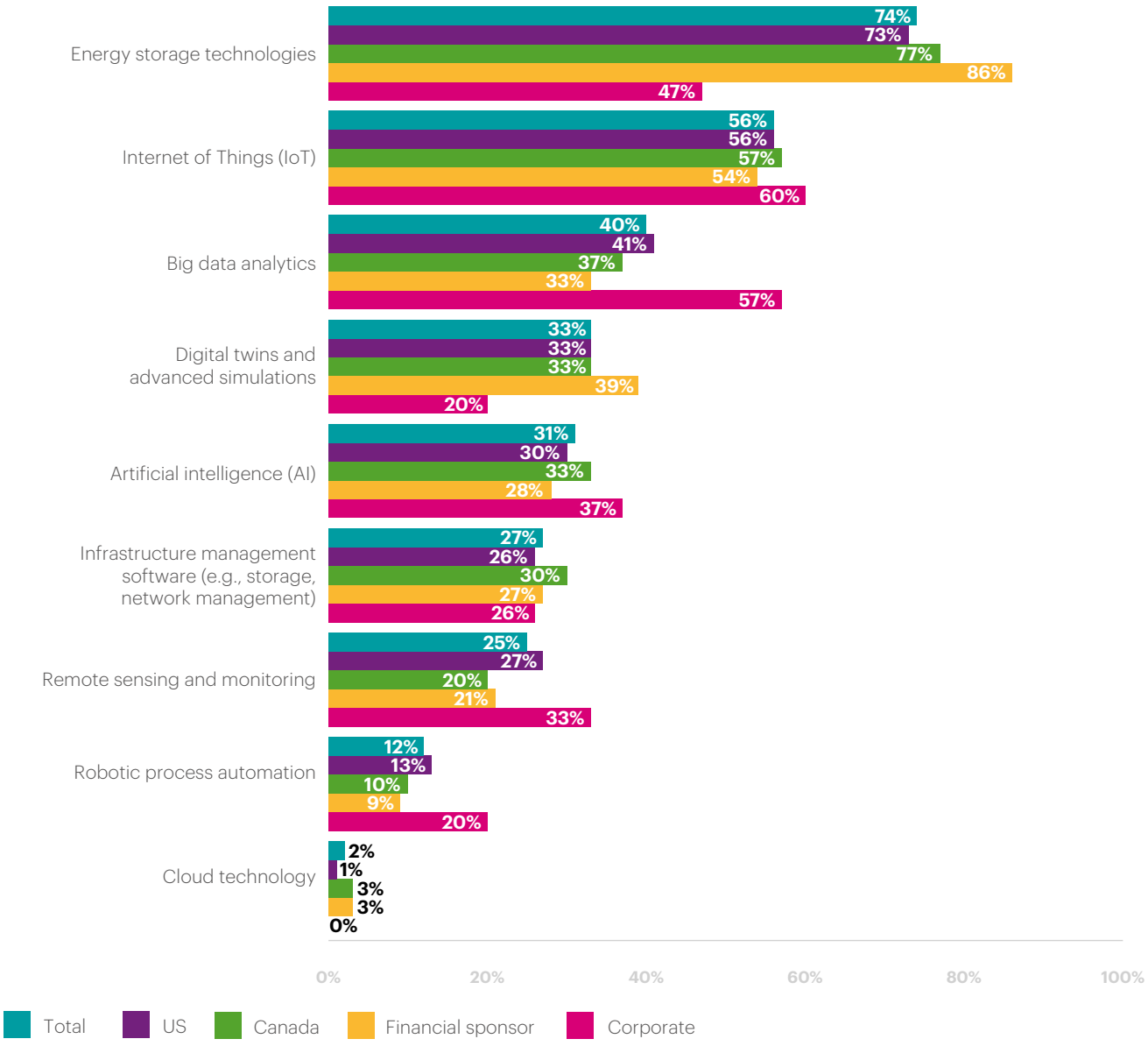
While sponsors have their eye on storage, corporates more commonly hail the Internet of Things (IoT), selected by 60%, and big data analytics, at 57%, as most transformative. This conviction significantly overshadows the 33% of financial sponsors who

share this view on big data analytics and aligns with corporates' direct operational mandate and intense focus on asset optimization.

IoT's sensor and smart device networks have transformed infrastructure asset management, including real-time monitoring and predictive maintenance for turbines and pipelines; and electricity grids via smart meters and automated substations. Concurrently, the vast data streams from IoT are processed using big data analytics, enabling project developers and owners to optimize plant efficiency, improve load forecasting, and manage decentralized energy flows.

AI is another recognized game-changing force, although its full impact is still unfolding. Just under a third (31%) of respondents highlight AI as notably transformative for overall energy infrastructure, this lower reading being a function of its more evolving standing compared to more established and already widely deployed technologies.

Which of the following forms of technology and innovation do you expect will be the most transformative in energy infrastructure development over the next 24 months? (Select top three)



However, AI's burgeoning potential should not be underestimated. Its application already promises to redefine the industry: from supercharging grid optimization and fast-tracking the discovery of novel clean energy materials, to sharpening subsurface imaging for geothermal and carbon storage, and dramatically boosting the efficiency of conventional resource extraction. AI's potential in the energy transition is virtually limitless and this will become more evident as emerging applications prove their value.

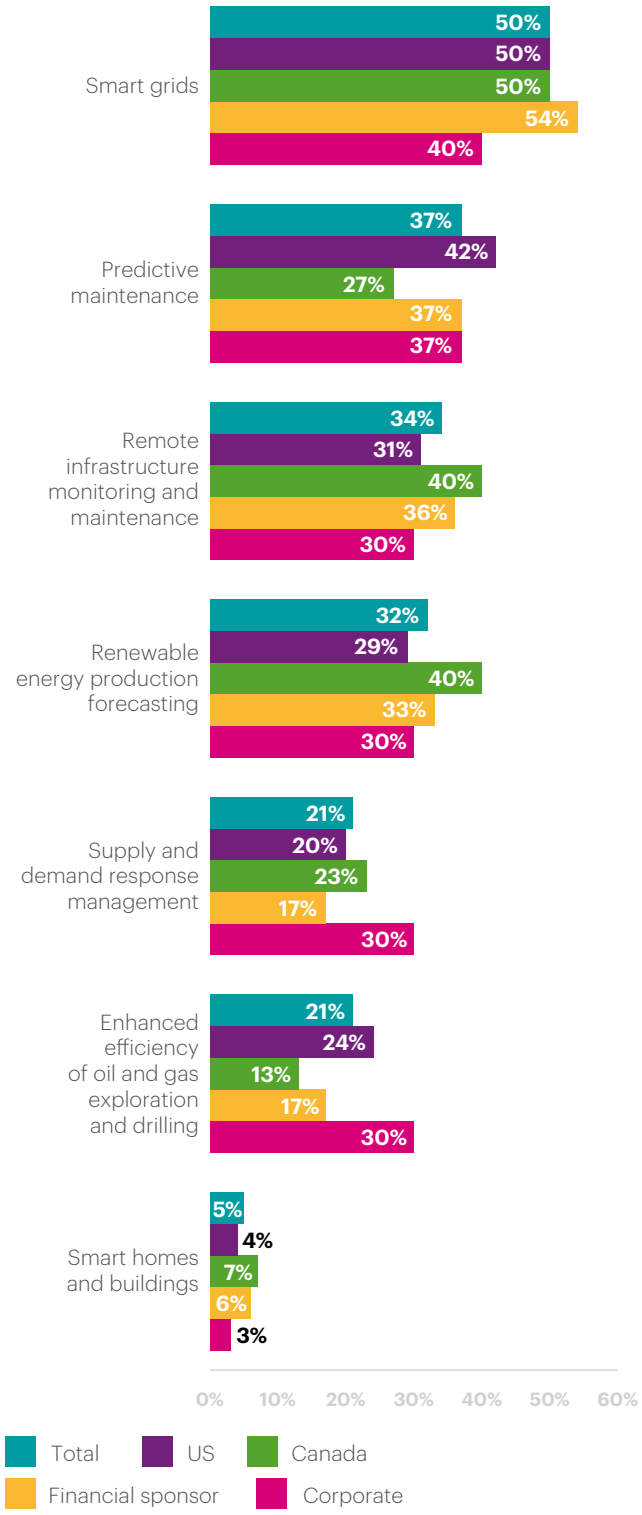
"I would say that AI has many new use case scenarios in energy infrastructure development," says the managing partner of a Canadian financial sponsor. "Design, modeling, and simulations can all be handled with greater attention to detail."

AI in action

From a list of energy transition-related applications of AI, half of all respondents see smart grids as one of the most likely to see the greatest increases over the next 24 months, a view shared by 54% of financial sponsors and 40% of corporates. AI-driven smart grids dynamically manage complex power flows from diverse sources like intermittent renewables and distributed energy resources (DERs), improving integration, optimizing dispatch, managing congestion, and enabling sophisticated demand-side management, all of which are crucial for grid stability considering renewables' rising share of the energy mix.

Further anticipated AI applications include predictive maintenance (identified by 37% of total respondents), remote infrastructure monitoring and maintenance (34%), and renewable energy production forecasting (32%). AI-powered predictive maintenance, for instance, analyzes sensor data from renewable assets like wind turbines and solar farms to anticipate failures, enabling proactive upkeep that cuts downtime and O&M costs. Furthermore, AI enhances remote monitoring and control of widespread distributed assets, optimizing performance and maintenance. Machine learning models also analyze complex datasets to produce highly accurate solar and wind output forecasts, which is also vital for grid stability.

Which of the following energy transition-related applications of artificial intelligence (AI) in infrastructure do you believe will see the greatest increase over the next 24 months?
(Select top two)



Sensory communication

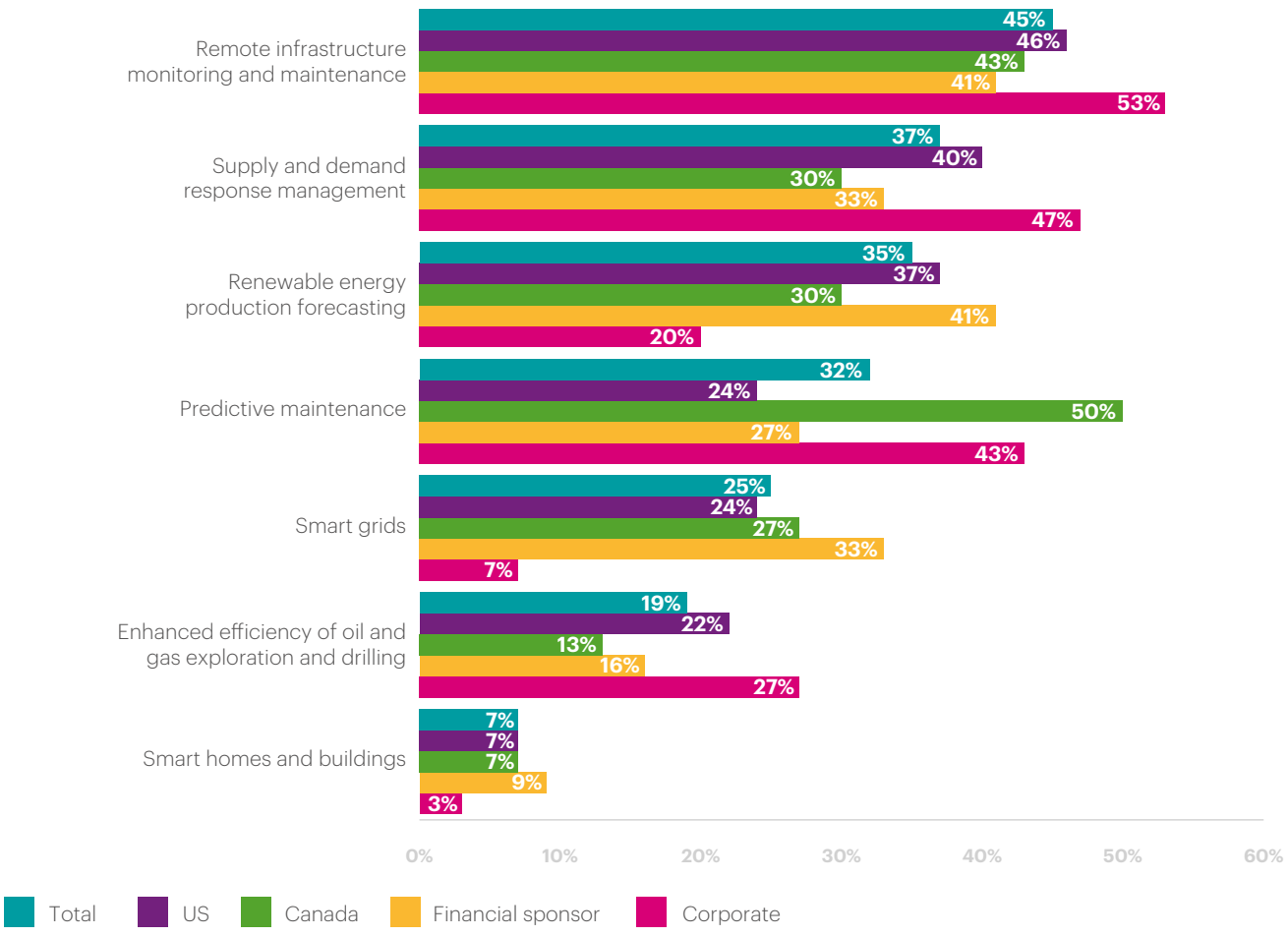
IoT provides the essential sensory and communication backbone for many of these AI applications, alongside its standalone benefits. Almost half (45%) of all respondents believe remote infrastructure monitoring and maintenance will be one of the most significantly increasing energy transition-related applications of IoT over the next 24 months, a view particularly strong among corporate respondents (53%).

Millions of interconnected IoT sensors on wind turbines, solar panels, battery systems, and EV charging networks can continuously transmit vital operational data, allowing remote health assessment, diagnostics, and performance optimization of geographically dispersed assets.

Our survey also found that 43% of corporates believe predictive maintenance will be another key IoT application in the energy transition to see significant increases, compared with 27% of financial sponsors. This greater emphasis among project owners and developers is once again a reflection of their direct responsibility for the operational uptime and efficiency of their growing renewable asset fleets.

IoT and AI are powerful, increasingly convergent technologies in the renewables space. IoT provides the senses and AI the brain. Combined, they are boosting the performance of energy assets with intelligent automation and, ultimately, accelerating the transition to a more sustainable and digitally managed energy future.

Which of the following energy transition-related applications of the internet of Things (IoT) in infrastructure do you believe will see the greatest increase over the next 24 months? (Select top two)



Carbon capture and hydrogen adoption

As North America charts its course towards a lower-carbon future, both CCUS and clean hydrogen are viewed as indispensable components of the broader decarbonization push.

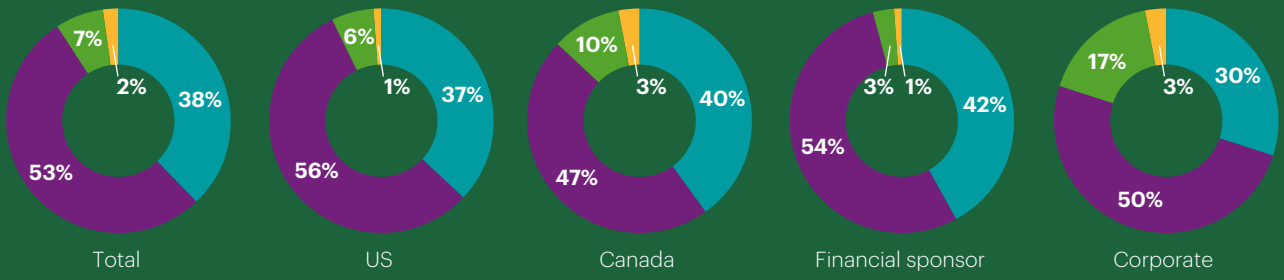
An overwhelming 91% of respondents agree that CCUS will increasingly be a part of the region's decarbonization strategy over the next 24 months, with a significant 38% strongly agreeing. This near-unanimous expectation signals a maturing outlook for technologies positioned to mitigate emissions from critical, hard-to-abate sectors.

The CCUS market, encompassing technologies that capture CO2 from industrial sources or directly from the atmosphere for storage or utilization, is gaining momentum. This is crucial for industries like natural gas processing, as well as cement, steel, and chemicals manufacturing, where emissions are difficult to eliminate through electrification alone.

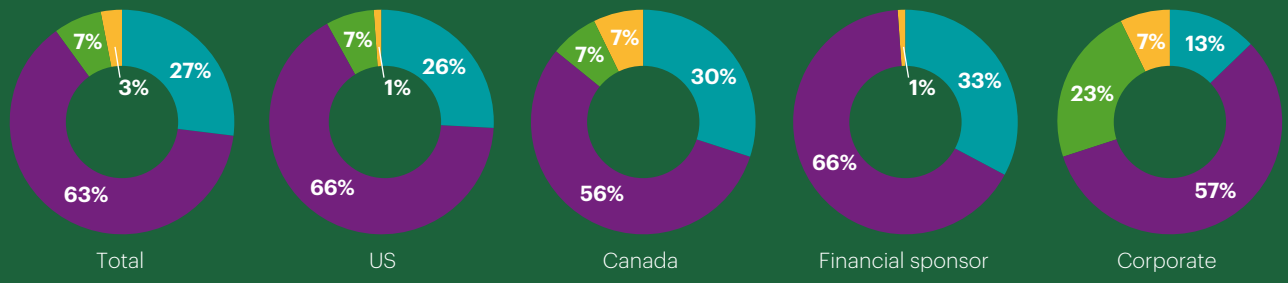
"There's considerable interest in these less mature areas like CCUS and hydrogen. Investors are actively looking at opportunities to position themselves as significant players, but they are still early in their development, so the associated risks are high. It helps to have deep pockets," says William Davis, a partner in Dentons' corporate, tax, and private client practice.

To what extent do you agree or disagree with the following statements?

Carbon capture, utilization, and storage will increasingly be a part of North America's decarbonization strategy over the next 24 months.



Hydrogen adoption will increasingly be a part of North America's decarbonization.



In late 2023 through 2024, ExxonMobil announced several new commercial agreements for CO2 offtake and storage with industrial customers such as Nucor steel, Linde, and Calpine for their US Gulf Coast hub. The supermajor is actively developing storage sites and pipeline infrastructure and in their Q1 2025 earnings call the company reiterated significant capital allocation towards its Low Carbon Solutions business, with CCUS as a cornerstone.

Regulatory backing

To date, the space has seen significant policy support. In the US, the IRA's enhanced 45Q tax credit dramatically improved project economics, though this remains an area to watch in light of recent developments. Canada introduced its own CCUS Investment Tax Credit, which was formally enacted into law in June 2024 and is fostering the development of carbon capture hubs.

Furthermore, Canada's rising federal carbon price is a distinct driver influencing CCUS investment, particularly for large emitters looking to mitigate compliance costs. As the price per tonne of CO2 escalates towards its 2030 target, the financial incentive to capture and store emissions, either to avoid the carbon tax or to potentially generate credits, strengthens the business case for deploying CCUS technologies in industrial sectors. In contrast, the US has relied more on direct incentives and some state-level programs rather than a national carbon price.

Overcoming hurdles

Despite this growing support and clear need, challenges persist. The high capital costs of CCUS projects, the necessity for extensive CO2 transportation and permanent storage infrastructure, and the evolving nature of regulatory clarity around permitting, especially for CO2 sequestration wells and long-term liability for stored carbon, remain key hurdles that require ongoing attention.

Mirroring the optimism for CCUS, our findings show that 90% of respondents believe hydrogen adoption will increasingly feature in North America's decarbonization strategy over the next 24 months. This conviction is particularly strong among financial investors, with 33% of sponsors strongly agreeing with this prediction, compared to a far more reserved 13% of corporates.

Clean hydrogen, whether green, produced via electrolysis powered by renewables, or blue, produced from natural gas with CCUS, holds vast potential across diverse applications—from industrial feedstock and heavy-duty transport to energy storage and power generation.

US guidance on production tax credits for clean hydrogen like 45V and the development of regional hydrogen hubs have injected capital into the sector. Canada, too, is advancing its national and provincial hydrogen strategies with supportive incentives, most notably via the federal Clean Hydrogen Investment Tax Credit that provides a refundable credit of between 15% and 40% of eligible project costs, contingent on the carbon intensity of the hydrogen produced.

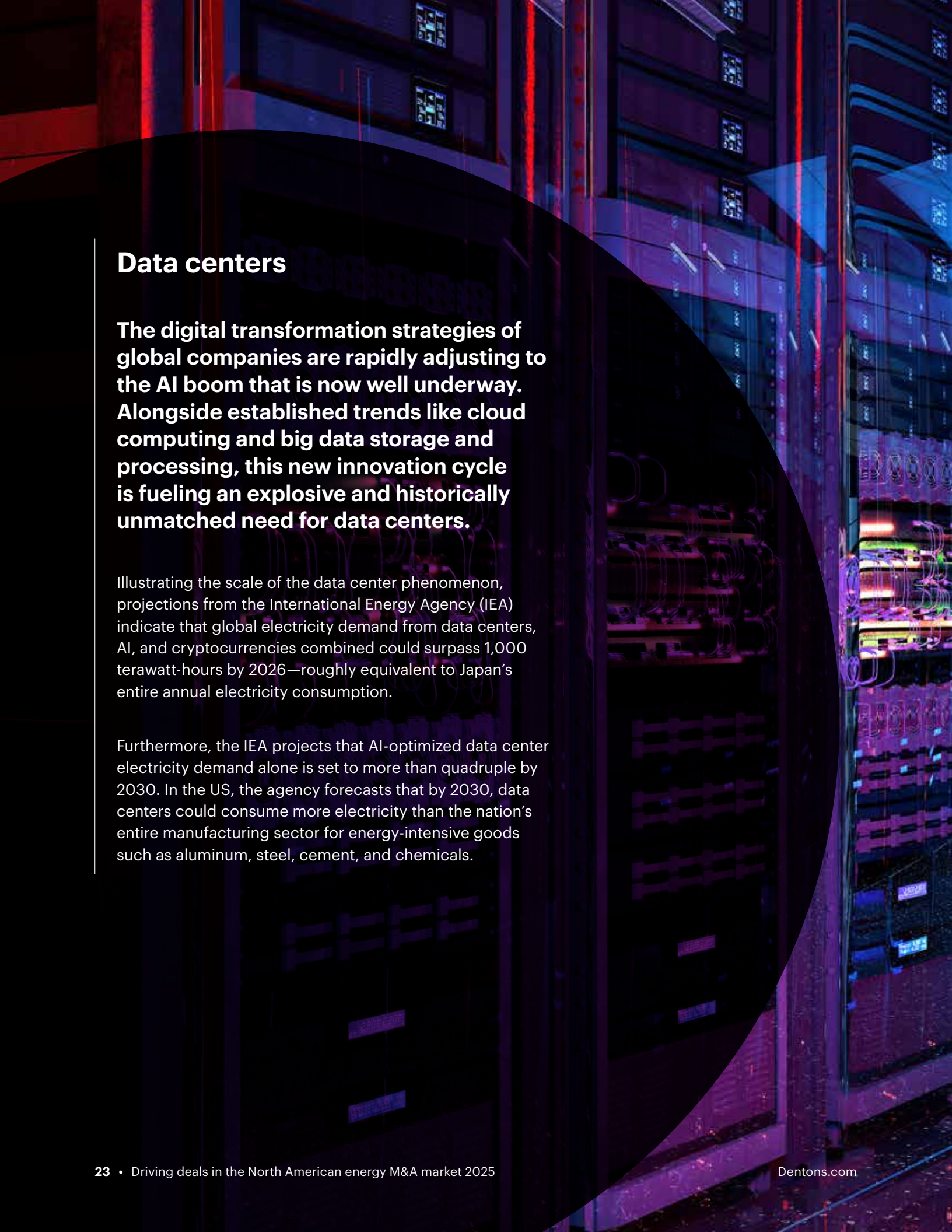
Early days

The difference in conviction between financial sponsors and corporates may reflect the former's higher risk appetite and attraction to the high-growth potential of a nascent market backed by policy support, while corporates are exercising more restraint due to current production costs, the substantial infrastructure build-out required for a hydrogen economy, and the still-developing end-use markets.

Key challenges include scaling up low-cost clean hydrogen production, establishing comprehensive transportation and storage networks, and ensuring regulations provide sufficient long-term certainty to unlock further investment, particularly given the IRA's uncertain future.

"There are a lot of folks that want to produce hydrogen, but the market really needs time to mature," says David McGimpsey, co-lead of Dentons' US region energy practice. "There needs to be more offtake agreements in place to build confidence for further investment. Market turbulence has to settle down for that market to properly develop."

The pathway to adoption for CCUS and hydrogen may be complex and capital-intensive, but the strong consensus from our respondents indicates a firm belief in their expanding role in North America's energy transition. These technologies are too important to ignore. However, overcoming cost challenges and translating current policy momentum and investor interest into tangible project advancements will be critical in realizing their full potential.



Data centers

The digital transformation strategies of global companies are rapidly adjusting to the AI boom that is now well underway. Alongside established trends like cloud computing and big data storage and processing, this new innovation cycle is fueling an explosive and historically unmatched need for data centers.

Illustrating the scale of the data center phenomenon, projections from the International Energy Agency (IEA) indicate that global electricity demand from data centers, AI, and cryptocurrencies combined could surpass 1,000 terawatt-hours by 2026—roughly equivalent to Japan's entire annual electricity consumption.

Furthermore, the IEA projects that AI-optimized data center electricity demand alone is set to more than quadruple by 2030. In the US, the agency forecasts that by 2030, data centers could consume more electricity than the nation's entire manufacturing sector for energy-intensive goods such as aluminum, steel, cement, and chemicals.

Deals track demand

Amid this surging demand, data center infrastructure activity soared to a new peak in North America last year. The overall number of deals hit 112, almost double the 57 transactions seen in 2023. Meanwhile, aggregate transaction value (including greenfield projects, M&A, refinancing and additional financing) topped US$104.1 billion, more than three times 2023's total value of US$33.7 billion. As of the end of June 2025, there have been 67 such deals worth a combined US$67.9 billion.

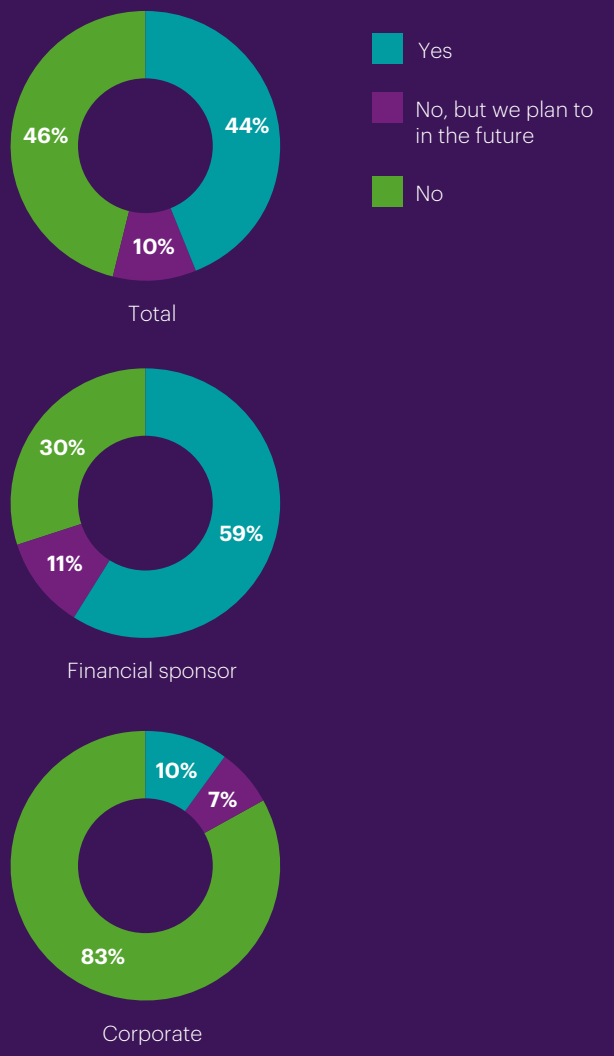
Both the US and Canada are primary destinations for data center development. The US, the world's largest data center market, sees continued massive investment, with Northern Virginia remaining the leading global hub. Other major markets like Dallas-Fort Worth, Silicon Valley, Chicago, Phoenix, and Atlanta are also expanding rapidly, with new Tier 2 markets emerging due to better power availability or land costs.

Canada, meanwhile, is prized for its political stability, access to increasingly crucial affordable and often renewable energy, and robust data privacy laws. Key Canadian provinces such as Ontario, Alberta, and Québec have become primary data center hubs, drawing on their solid infrastructure, skilled workforces, and competitive energy markets.

This North American expansion occurs as strong environmental, social and governance (ESG) commitments, particularly in Canada, align with businesses worldwide seeking environmentally sustainable IT for their energy-intensive and increasingly AI-reliant operations.

The intense interest in data centers is reflected in our research, though approaches differ. Nearly half (44%) of total respondents have invested in this digital infrastructure over the past 24 months. However, this overall figure masks a significant divergence: A substantial 59% of financial sponsors surveyed reported such investments, a stark contrast to only 10% of corporate respondents.

Has your organization invested in data centers over the past 24 months?



Carbon footprints

Given the AI boom's immense power requirements, energy considerations are paramount. When Canada-based respondents who invested in data centers were asked about their decision-making, 64% stated that the infrastructure's energy efficiency and carbon footprint metrics were a top priority in their investment decision-making.

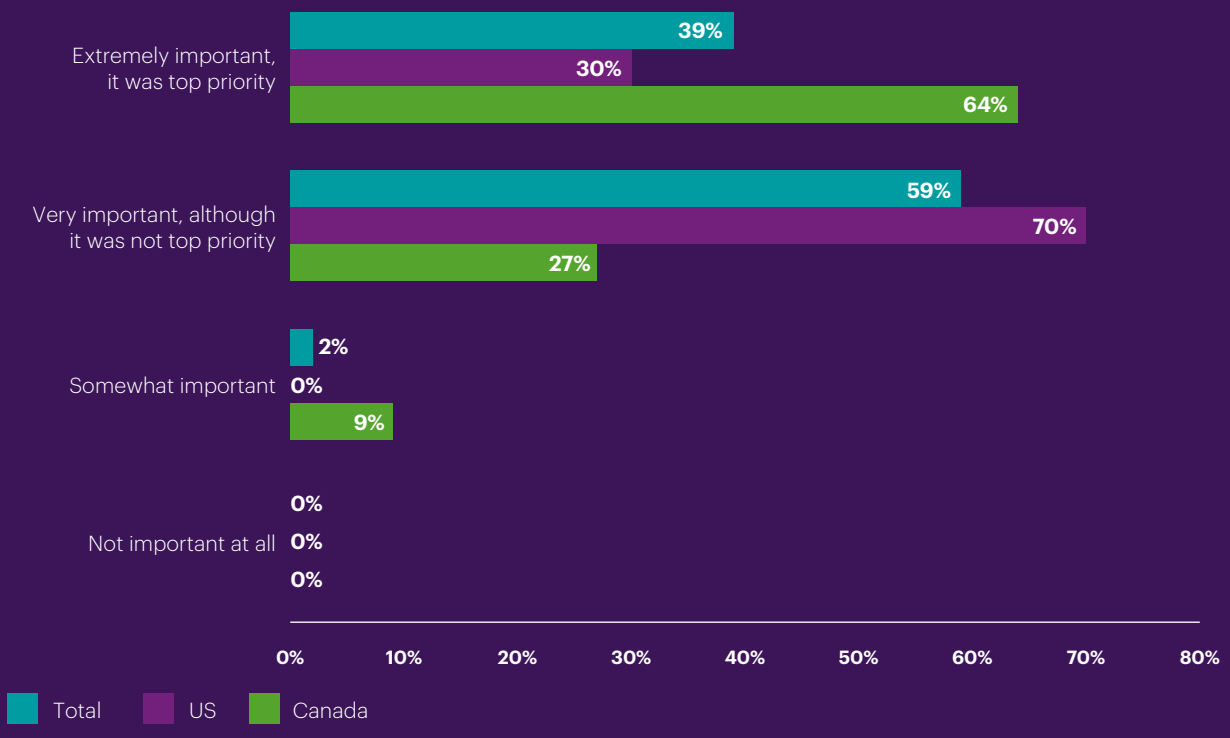
Across the border, US respondents also underscored the significance of these factors, with 70% describing such metrics as "very important". This acute focus on energy efficiency is vital, as developing a cutting-edge data center capable of handling AI workloads requires substantial investment in power-hungry equipment, including advanced cooling systems and highly resilient power infrastructure like Uninterruptible Power Supplies (UPS) and generators.

Increasing power usage by data centers is expected to put substantial pressure on energy grids globally. Respondents are unanimous on this point with 97% concurring, regardless of their business type or whether they are based in the US or Canada. Indeed, 36% of financial sponsors "strongly agree".

Escalating energy demand, intensified by AI model training and inference, is now the primary constraint in many key US data center markets, often leading to multi-year waiting queues for grid connections. The rapid surge in demand is outpacing the development of new large-scale power generation and transmission, creating a significant supply-demand mismatch.

While the industry strives to integrate renewables into powering these assets, the sheer scale of electricity required often means that conventional energy sources remain a crucial component for baseload power and essential grid reliability.

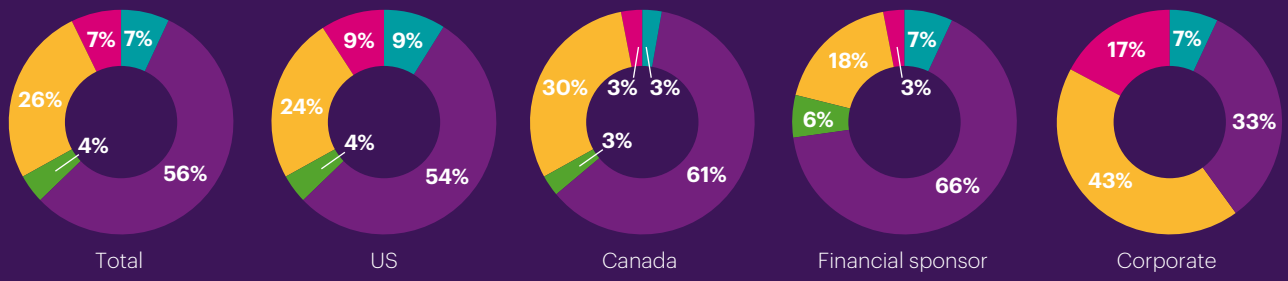
If your organization invested in data centers over the past 24 months, how important was the infrastructure's energy efficiency and carbon footprint metrics to your investment decision?



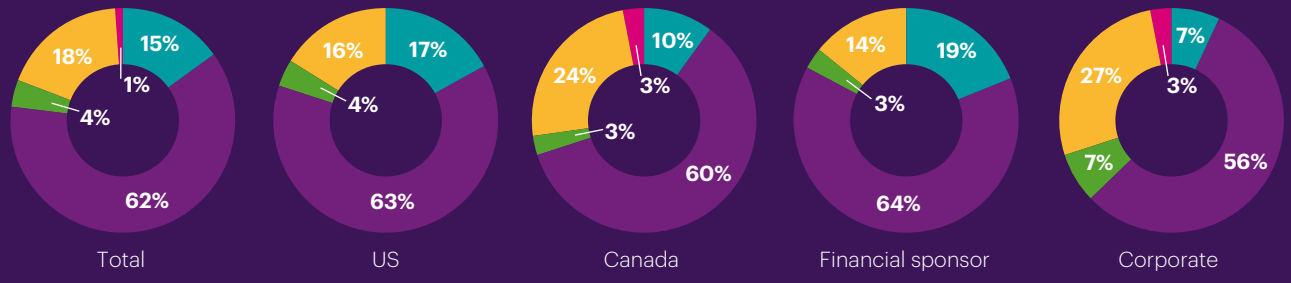
Do you agree or disagree with the following statements regarding data centers?

Strongly agree | Agree | Neither agree nor disagree | Disagree | Strongly disagree

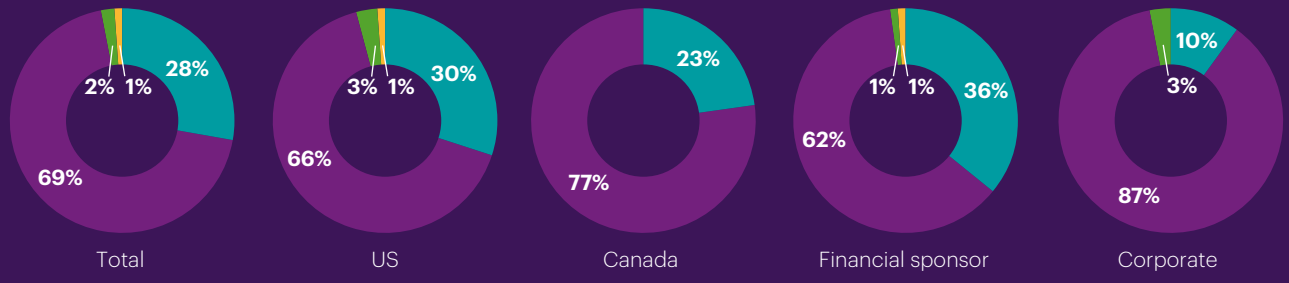
In general, a significant amount of data centers' energy consumption in North America is supplied by localized renewable energy production.



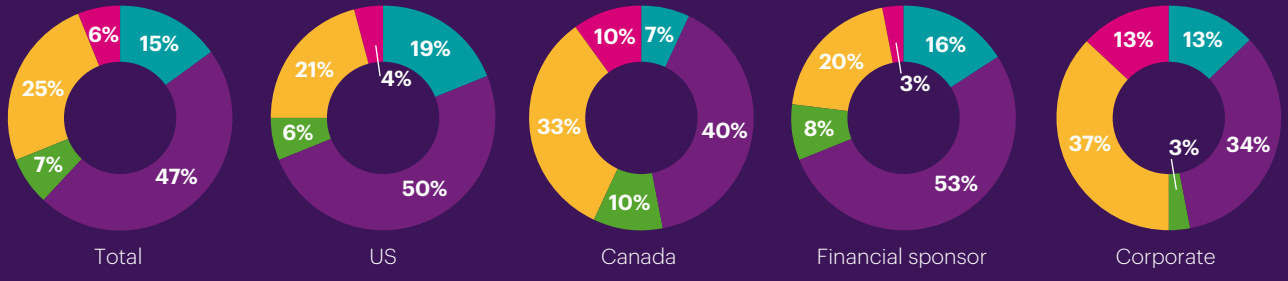
The data center infrastructure sector stands out above most other sectors as a driver of innovation in low carbon technology.



Data centers are putting increasing pressure on energy demand to a substantial extent.



Data center businesses invest sufficiently in carbon offsets.



The mission-critical nature of data centers, demanding constant uptime, requires robust back-up systems, which rely upon traditional fuels to ensure uninterrupted service, particularly as grids strain to meet new peaks in demand.

"You have this AI-driven load, which is very, very significant, requiring a specific kind of reliability," says Hazel Saffery, partner at Dentons. "This raises two really interesting questions: First, where is that power going to come from? And second, how do we allocate what is a very scarce resource in terms of transmission capacity and distribution capacity to a data center as opposed to other electrification aims that we may have?"

Localized supply

In addressing this profound challenge, localized renewable energy production is a key consideration, something that respondents acknowledge, though perspectives vary. A notable difference in opinion emerges between financial sponsors and corporates: While 73% of sponsors agree that a significant amount of these centers' energy consumption in North America is supplied by localized renewable energy production, 60% of corporates disagree. This divergence might reflect differing definitions of "localized" and what exactly constitutes "significant", varying direct engagement with renewable energy procurement, and perhaps different levels of visibility into the complex sourcing strategies data center operators employ to meet demand.

Nevertheless, Canada's access to affordable and renewable energy is a prime attraction for data center developers facing this new reality. In the US, while some regions offer abundant renewables, developers in power-constrained Tier 1 markets are increasingly exploring direct utility engagement years in advance and even alternative power options.

Ultimately, renewables alone will not be sufficient to meet the immense and continuous power needs of large-scale data centers, particularly those powering AI workloads. Given its abundant supply in North America, its reliability as a fuel source for dispatchable power generation, and its competitive cost, LNG will increasingly play a central role as a critical enabler for data center expansion in the region.

Driving adoption

Despite high-energy consumption concerns, the data center sector is widely recognized as a major catalyst for technological advancement. Over three quarters (77%) of all respondents agree that this digital infrastructure stands out above most other sectors as a driver of innovation in low-carbon technology. This view is particularly strong among US respondents, 80% of whom agree, compared to a still robust 70% of Canadian respondents.

These innovations are critical and include advancements in liquid cooling, AI-driven energy management systems, waste heat recovery, the development of more energy-efficient chips for AI applications, and direct renewable energy integration, all aimed at mitigating the environmental impact of their growing energy footprint.

How data center businesses address their carbon emissions through offsets is becoming an increasingly pressing question. Here, survey responses are divided along geographic and investor-type lines. For instance, Canada-based respondents are split, with 47% agreeing that data center businesses invest sufficiently in carbon offsets, while 43% disagree.

A similar division is seen among corporate respondents, where 47% agree on the sufficiency of offsets, but 50% disagree. A clearer consensus emerges in the US, where 69% of respondents believe these businesses invest sufficiently in carbon offsets. Financial sponsors also lean more strongly towards this view, with 69% agreeing.

These split perspectives mirror the lack of real-world consensus on the legitimacy of offsets versus direct emissions reduction, a debate that will undoubtedly grow more heated as AI's energy thirst unabatedly rises.

Part 4: Dealmaking outlook

Energy transition is a powerful secular trend, though the M&A outlook is far from certain.

In the past six months, the US policy environment for clean energy has taken a sharp turn. As of 22 May, the House of Representatives narrowly passed President Trump's "One Big, Beautiful Bill", aiming to significantly curtail green-energy tax credits and programs established under the former Biden administration—namely the Clean Electricity Production Tax Credit (PTC, Section 45Y) and Clean Electricity Investment Tax Credit (ITC, Section 48E).

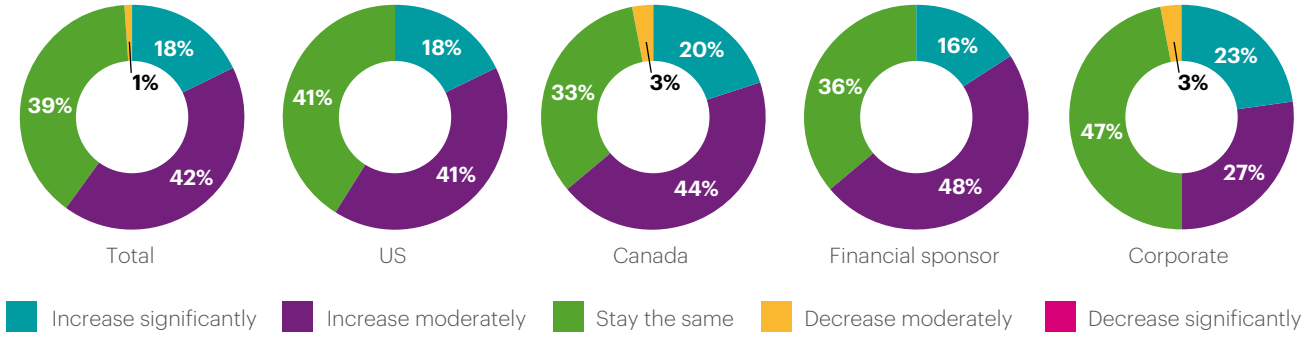
These credits, which support zero-emission electricity production, are set to be phased out earlier than planned. In its current form, the bill accelerates the phase-out starting in 2029, with a 20% reduction in credit benefits for facilities entering service that year, 40% in 2030, 60% in 2031, and no benefits after 2031. Projects must begin construction within 60 days of the bill's enactment to qualify for credits, effectively limiting eligibility for new projects except for advanced nuclear facilities, which have a longer window until December 31, 2028.

The bill's passage in the House underscores shifting federal priorities in the US under the current administration and introduces a significant new calculus for energy transition M&A. "A lot of investment funds have halted their M&A activity because of this uncertainty and all the changes that may be coming," says William Davis, a partner in Dentons' corporate, tax, and private client practice. "They have been waiting for all the chips to fall before they proceed with a lot of large-scale deals, as the risk is too high."

High spirits

Despite this, the broader outlook for energy transition M&A is largely positive, with 60% of total respondents expecting dealmaking in the space to increase over the next 24 months. A further 39% expect M&A activity to remain the same, indicating a prevailing sentiment of growth, or at the very least stability, rather than an impending downturn.

Do you expect M&A activity in the energy transition space to increase or decrease over the next 24 months? (Select one)



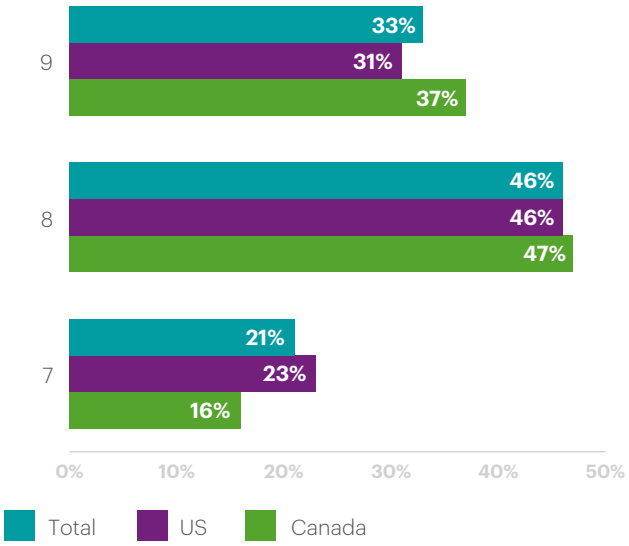
This optimism is particularly evident among financial investors, 64% of whom expect M&A in the space to increase, compared with 50% of corporates, possibly reflecting sponsors' committed capital pools ready for deployment into transition assets and their strategic focus on sectors with high growth potential. For their part, many corporates will be balancing their M&A plans with organic growth initiatives and integrating previous acquisition targets.

Underpinning this is a robust perception of existing policy support for energy transition M&A in North America, respondents scoring this with an average 8 out of 10 rating. This high score, even in light of the US administration's revised policy direction, is indicative of the enduring impact of state-level policymaking, continued strong federal support in Canada, and a fundamental belief that the energy transition is a force that cannot be stopped because energy demand is simply too high.

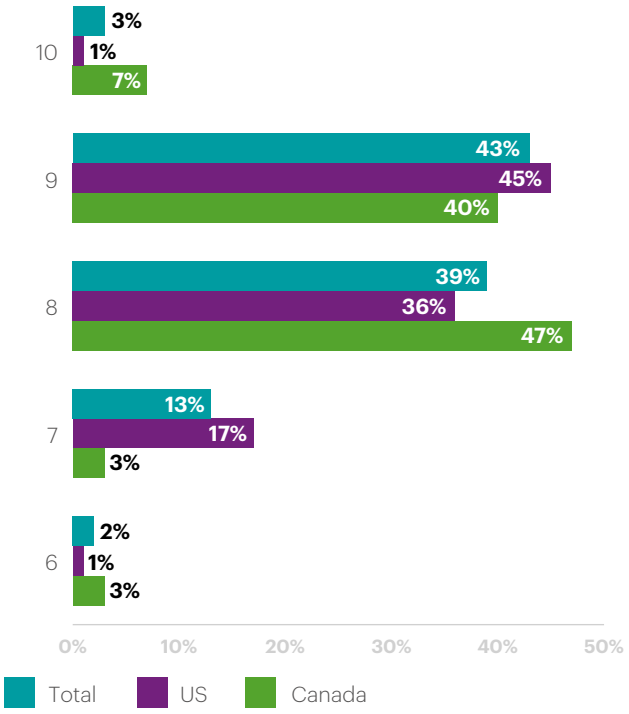
David McGimpsey, co-lead of Dentons' US region energy practice, adds that there is also some expectation that political pragmatism will prevail and the bill will be moderated. "There's a lot of speculation that because renewables are going so heavily into Republican states, the incentives are not going to be wiped away wholesale," he says. "Some representatives who voted for the bill will be relying on the Senate to push back on the details and reject killing the tax credits entirely, in order to keep investment flowing into those parts of the country."

Looking ahead, this optimism regarding policy support generally continues. On average, all respondent groups expect North American policies to be more supportive of M&A activity in energy transition sectors in two years than they are at present. This expectation is particularly pronounced among Canada-based respondents: 47% of this group give a rating of 9 or 10 out of 10 for how supportive they believe policies will be in two years, a significant jump from the 37% who give such a high rating for current policies. Overall, for Canada-based respondents, the average out-of-ten rating for future policy support increases by 0.23 to 8.43, compared with a 0.18 increase to 8.27 for US respondents.

How supportive do you consider current North American policies to be for M&A activity in energy transition sectors?
(Rate on a scale of 1 to 10, where 1 = not supportive at all and 10 = extremely supportive)



How supportive do you believe North American policies will be in two years for M&A activity in energy transition sectors?
(Rate on a scale of 1 to 10, where 1 = not supportive at all and 10 = extremely supportive)

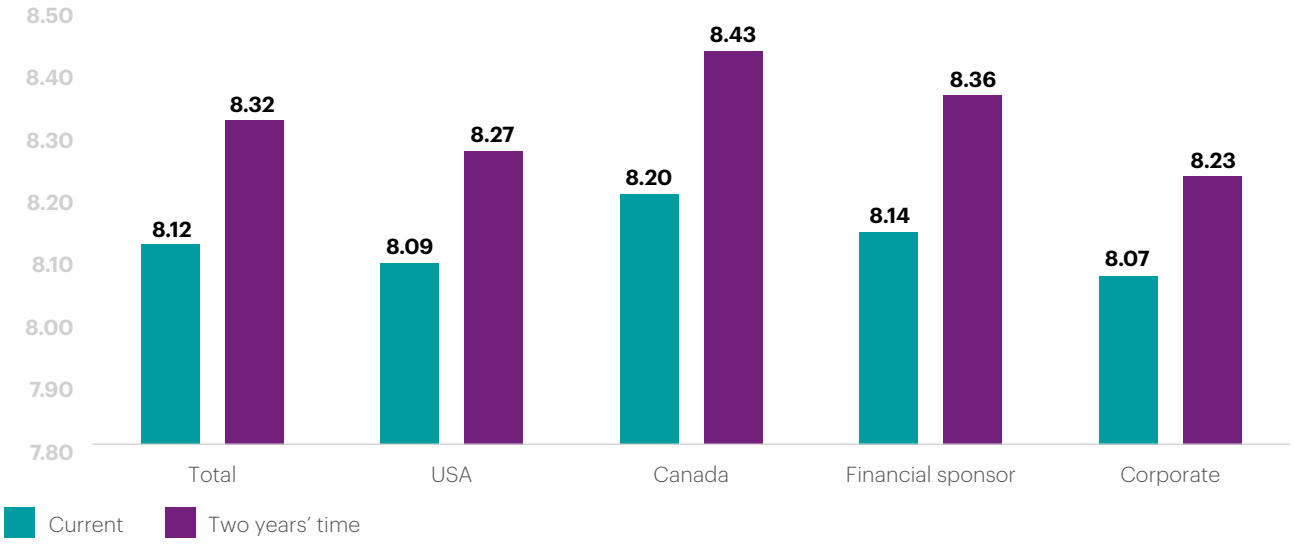


How supportive do you consider current North American policies to be for M&A activity in energy transition sectors?

Vs.

How supportive do you believe North American policies will be in two years for M&A activity in energy transition sectors?

(Rate on a scale of 1 to 10, where 1 = not supportive at all and 10 = extremely supportive)



Canada is poised to remain a key market for energy transition projects. Its outlook has been significantly bolstered by the outcome of the 28 April federal election, which saw Mark Carney's Liberal Party secure a victory. Carney, known for his strong advocacy for climate action and sustainable finance, is expected as prime minister to reinforce and potentially expand federal support for clean electricity, hydrogen, and CCUS, aligning with Canadian respondents' notable optimism about future policy backing. Despite this, Carney has shown a certain level of pragmatism, making overtures towards Canadian fossil fuel players and vowing to increase production while also looking to cut emissions.

Bucks in convention

Parallel to the energy transition, conventional US energy M&A is set to benefit from the current administration's supportive stance towards the sector. Recent executive orders have been issued aimed at streamlining permitting processes for oil and gas projects, opening up new areas for leasing, and initiating reviews or rollbacks of environmental regulations perceived as burdensome to the industry enacted by the previous administration.

Additionally, the replacement of Lina Khan with Andrew Ferguson as chair of the Federal Trade Commission was anticipated to create a friendlier antitrust environment for M&A as a whole, though that is yet to transpire. The agency under Ferguson is perceived as less likely to challenge conventional energy deals based on broader environmental or social concerns, focusing more on traditional competition metrics like market concentration within specific basins or segments.

Recent M&A in the US oil and gas market has been strong, with 2023 notable for Exxon's US$60 billion acquisition of Pioneer Natural Resources, pushing aggregate annual value to an all-time high of US$252.7 billion. Last year also saw a robust US$136.2 billion transacted, which, although a step down, was still well above any year in the 2020-2022 period. Volume in the sector has also stayed within an approximate +/-10% range of 200 deals annually since 2019.

However, a more favorable regulatory environment doesn't single-handedly guarantee an M&A surge, as challenges such as a shrinking pool of attractive assets and companies re-evaluating organic growth opportunities persist. Following the recent spate of top-bracket activity, the outlook for the remainder of 2025 and beyond is characterized by opportunistic acquisitions of non-core assets, with an expected uptick in mid-market deal volume rather than a repeat of previous mega transactions.

Drivers include ongoing consolidation, particularly targeting midstream assets for the build-out of infrastructure that supports production from key basins like the Permian and Haynesville, as well as divestments by majors focusing on core profitable business lines.

But conventional power sources can only stretch so far, and the energy transition is beginning to reach critical mass. The EIA estimates that 24.2% of US energy production in 2024 came from renewable sources. Putting aside short-term political resistance and the throttling effect of grid connection issues, the increasing cost-competitiveness of renewables, their swifter deployment, and strong underlying investor and corporate commitment are irreversible forces. These fundamentals are paired with vast, unmet forward-looking energy demand, creating a set-up for which foresighted acquirers are positioning themselves.

Conclusion: Beyond the crossroads

Energy demand is on course to sharply increase over the coming years and the global transition to cleaner sources of electricity has long been set in motion. However, its pace and scope varies by region and sector.

The "America First" energy position of the Trump administration, with its vocal support for fossil fuels and moves to roll back IRA provisions has changed the state of play.

Despite the policy shifts in the US, the underlying drive for decarbonization, fueled by technological innovation, increasingly favorable market economics, and strong investor and corporate commitment is indicative of a positive, albeit more intricate, path forward.

The M&A outlook reflects this. There is a prevailing expectation of increased deal activity in North America's energy transition space over the next 24 months, with financial sponsors particularly bullish.

This enduring confidence even in the face of US policy resistance speaks to the transition's unstoppable momentum. In addition to mainstays like solar PV and onshore wind, our research shows that emergent technologies spanning green hydrogen, CCUS, next-generation storage, SAF, SMRs, and AI-driven grid modernization are expected to be critical drivers of energy transition M&A, with sponsors keenly focused on these high-growth frontiers.

Simultaneously, following a period of robust dealmaking in 2023 and 2024, the conventional US oil and gas sector is buoyed by the current administration's pro-conventional position. Given the nature of recent activity, which has centered on large-cap tie-ups, there is likely to be a shift in focus towards mid-market deals and opportunistic acquisitions of non-core assets as majors rationalize their portfolios and the pool of top-ticket targets diminishes. Traditional US oil and gas basins should continue to see consolidation, particularly the further integration of the upstream/midstream value chain.

Canada, meanwhile, is poised to remain a key region for energy transition projects, benefiting from strong federal support for clean electricity, hydrogen, and CCUS, with Canadian survey respondents expressing notable optimism about future policy backing. This has been further solidified by the Liberal Party's recent election win.

While US policy uncertainty and persistent risks such as energy price volatility, high project costs, and grid constraints present undeniable challenges, many of the energy transition's fundamentals are largely already in place. There will undoubtedly be bumps in the road, but the destination is in clear sight.

Key takeaways

1. Policy uncertainty demands agile M&A and selective capital allocation

North America's shifting energy policies, especially potential IRA changes and Canadian provincial fragmentation, demand agile, risk-focused M&A strategies. With significant renewable investment at stake if US incentives alter drastically, focus will shift to "policy-resilient" assets boasting secured PPAs or grandfathered status. Investors are likely to use strategic alliances, JVs, and diverse portfolios in terms of technology and state/provincial geography to mitigate risk.

2. AI's rise is an increasingly dominant M&A catalyst

The colossal energy demand from AI and data centers is a prime M&A catalyst, outpacing infrastructure growth. This will accelerate M&A in renewables for sheer scale as well as natural gas for 24/7 reliability, creating a dual-track investment environment. "Energy Infrastructure for AI" is emerging as a specialized asset class in its own right, with tech giants increasingly investing directly in energy platforms like SMRs and co-located storage. This direct involvement from tech companies in securing their power supply will shape future energy M&A, creating new partnership and investment models.

3. Divergent M&A strategies: Corporates vs. financial sponsors

In the maturing energy transition, corporates and sponsors are embracing distinct deal strategies. Sponsors will continue to pursue minority stakes, seizing upon project owners' motivation to monetize their assets in order to free up capital for reallocation into greenfield developments and highly strategic acquisitions. In the case of the latter, corporates will continue to prioritize majority control, focusing on integration potential and near-term earnings gains from established assets.

4. The growing role of emergent renewables

Emerging technologies like long-duration storage, CCUS, and clean hydrogen are M&A magnets. However, commercialization hurdles create considerable complexity. Early-stage VC and growth capital funds will target breakthrough innovations, while strategic consolidation will help more mature, yet still-scaling entities navigate high costs and provide some runway before they reach their full potential. M&A will also be vital for integrating technologies and building complete value chains—for example, linking green hydrogen production with renewable power, storage, transport, and end-users. This ecosystem-building approach will drive deal flow as companies seek to control or access critical links of new-energy value chains.

5. Grid modernization and interconnection is imperative

North America's aging grid and extensive interconnection queues are the biggest bottlenecks to the region's energy transition, creating a premium for assets with secured grid access. This will fuel M&A in companies offering grid-enhancing technologies (GETs), transmission development expertise, and smart grid solutions. These technologies optimize existing infrastructure more rapidly and cost-effectively than large-scale new builds. Utilities and operators will increasingly acquire GET providers and smart grid specialists to unlock latent grid capacity, integrate renewables more quickly and efficiently, and mitigate the risks posed by interconnection delays, making these capabilities highly prized for acquirers.

Methodology and respondent profile

In Q1 2025, Infralogic, on behalf of Dentons, interviewed 70 North American financial sponsors and 30 North American corporates that have invested at least US$5 million in renewable and/or conventional energy infrastructure M&A over the past 24 months. They included:

- 50 financial sponsors based in the US
- 20 financial sponsors based in Canada
- 20 corporates based in the US
- 10 corporates based in Canada

The financial sponsor respondents surveyed had a minimum AUM of US$1 billion. A majority of all respondents have invested at least US$5 million in both renewable and conventional energy infrastructure M&A over the past 24 months.

Dentons by the numbers 2025

160+
locations

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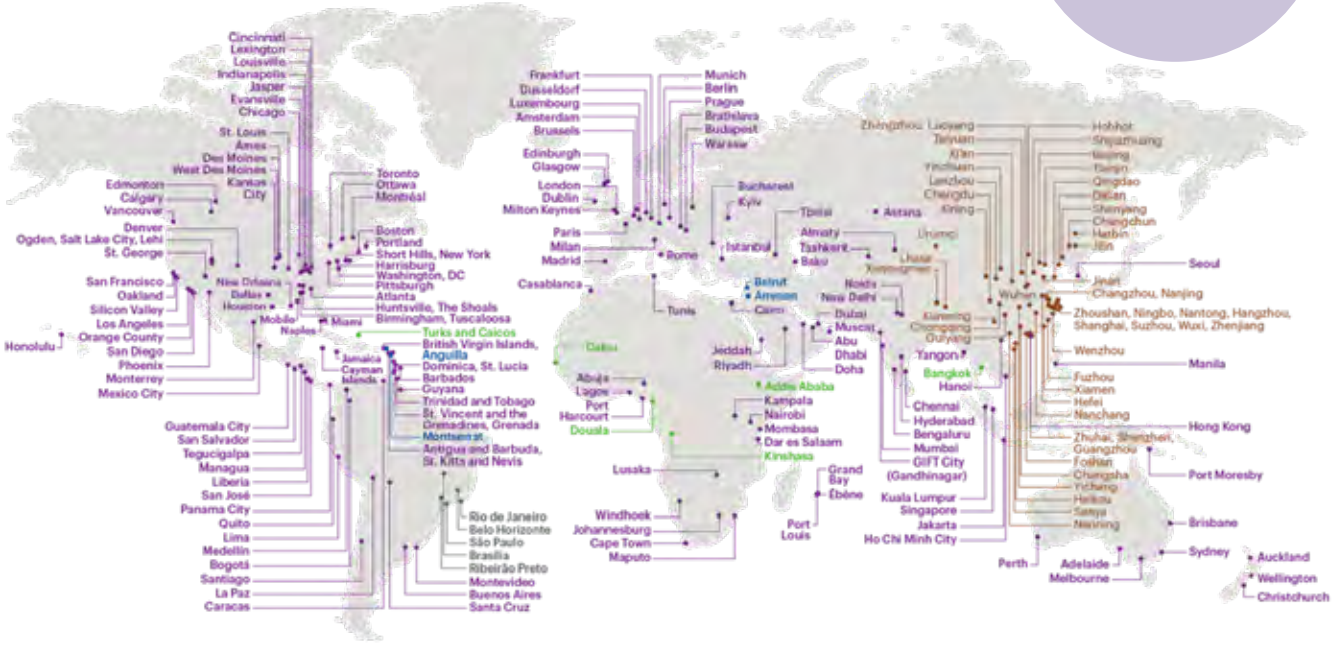

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May 2025

80+
countries

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Total number of lawyers and professionals

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Total number of people

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