

US Energy Sector M&A & Valuation Brief - 2025-10-22

US Energy Sector

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1. RECENT Energy M&A ACTIVITY

Deal 1: HCM II Acquisition Corp. and Terrestrial Energy Business Combination

[HCM II Acquisition Corp. Shareholders Approve Business Combination with Terrestrial Energy](#)

- Deal Size: Estimated at \$1 billion (based on comparable SPAC transactions)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Tuck-in & Bolt-on
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: HCM II Acquisition Corp. (Nasdaq: HOND) is a special-purpose acquisition company targeting innovative sectors, while Terrestrial Energy is a developer of small modular Generation IV nuclear plants utilizing proprietary Integral Molten Salt Reactor (IMSR) technology.
- Date Announced: October 20, 2025
- Strategic Rationale: The merger aims to leverage Terrestrial Energy's advanced nuclear technology to meet increasing energy demands and support the transition to cleaner energy sources. The strategic fit enhances HCM II's portfolio in the energy sector, aligning with global trends towards sustainable energy solutions.
- Risk Analysis: Potential risks include regulatory hurdles in the nuclear energy sector, integration challenges post-merger, and market acceptance of new nuclear technologies. Additionally, fluctuations in energy prices could impact the financial viability of the combined entity.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not provided)
- Profitability Ratios: N/A (specific profitability metrics not provided)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operational metrics not available)
- Valuation Context: The deal represents a strategic entry into the nuclear energy market, which is expected to grow as countries seek to reduce carbon emissions.

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Deal 2: Bloom Energy and Brookfield Asset Management Partnership

[Bloom Energy, Brookfield Form \\$5B Partnership Reimagining AI's Power Supply](#)

- Deal Size: \$5 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Joint Venture
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Bloom Energy (NYSE: BE) is a leader in solid oxide fuel cell technology, while Brookfield Asset Management (NYSE: BAM) is a global alternative asset manager with a focus on renewable energy investments.
- Date Announced: October 2025 (exact date not specified)
- Strategic Rationale: This partnership aims to address the anticipated 75-gigawatt shortfall in U.S. electrical power due to the AI boom. By combining Bloom's innovative energy solutions with Brookfield's extensive resources, the partnership seeks to enhance energy supply and sustainability in the face of rising demand from AI technologies.
- Risk Analysis: Risks include technological integration challenges, potential regulatory changes affecting energy markets, and competition from other energy solutions. Additionally, the partnership's success depends on the ability to scale operations rapidly to meet growing demand.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not provided)
- Profitability Ratios: N/A (specific profitability metrics not provided)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operational metrics not available)
- Valuation Context: The partnership positions both companies to capitalize on the growing intersection of AI and energy needs, potentially leading to significant market opportunities and revenue

2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape marked by both opportunities and challenges. Overall sentiment reflects cautious optimism, driven by increasing demand for energy, ongoing geopolitical tensions, and the pressing need for investment in traditional and renewable energy sources. The dynamics vary significantly across subsectors, geographies, and deal types, influenced by factors such as regulatory frameworks, technological advancements, and market conditions.

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Subsector Breakdown:

- **Oil & Gas:** The oil and gas subsector is experiencing a resurgence, particularly with Kurdistan's oil exports reaching 205,000 barrels per day (bpd) following a fragile agreement between the federal Iraqi government and the Kurdistan Regional Government (KRG). This development highlights the ongoing geopolitical complexities that can impact supply chains and pricing.
- **Renewable Energy:** The renewable energy sector is witnessing robust growth, spurred by technological advancements and increasing investment. However, traditional utilities are facing challenges as they adapt to the rise of distributed energy resources, which are reshaping energy consumption patterns.
- **Utilities:** The utilities sector is innovating with smart grid technologies, which enhance reliability and customer experience. Companies are investing in infrastructure to support renewable energy integration, positioning themselves for long-term growth.
- **Energy Infrastructure:** The energy infrastructure sector is thriving, with companies exploring new business models and partnerships. Investments in renewable natural gas assets are becoming more common, reflecting a shift towards cleaner energy solutions.
- **Solar & Wind:** The solar and wind subsectors are booming, driven by a global push for renewable energy solutions. Companies are racing to implement innovative technologies to capture market share in both residential and commercial segments.

Key Market Drivers and Headwinds

Drivers:

- **Energy Transition:** The transition towards renewable energy is a significant driver of growth across various sectors. OPEC has emphasized the need for \$18.2 trillion in oil and gas investment to meet projected demand increases, indicating a critical need for continued investment in both traditional and renewable energy sources.
- **Increased Investment:** There is a strong influx of venture capital and private equity into renewable energy and energy storage, as investors seek to capitalize on emerging trends and technologies.

Headwinds:

- **Regulatory Scrutiny:** Increased regulatory scrutiny, particularly in the oil and gas sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may impact energy demand and investment in energy infrastructure. The ongoing tariff discussions between India and the U.S. could also influence trade dynamics in the energy sector.

Subsector Performance Analysis

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- **Oil & Gas:** The oil and gas sector continues to perform well, supported by rising demand for traditional energy sources. The fragile agreement in Kurdistan to resume oil exports demonstrates the volatility and geopolitical risks that can impact this subsector.
- **Renewable Energy:** Companies in the renewable energy sector are adapting to changing consumer preferences, with a notable shift towards clean energy consumption. However, traditional utilities are experiencing declining revenues from fossil fuel generation, necessitating strategic pivots.
- **Utilities:** Utility operators are heavily investing in infrastructure to support renewable energy deployment, which is expected to drive new revenue streams from distributed energy resources and enhanced grid services.
- **Energy Infrastructure:** The energy infrastructure sector is thriving, with innovations in pipeline technology and storage solutions. The integration of renewable natural gas assets highlights the consolidation trend in this space.
- **Solar & Wind:** The solar and wind subsectors are experiencing significant growth, with investments aimed at expanding capabilities across various markets. Companies are focused on maintaining competitive advantages through technological advancements.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the Energy sector is approximately 8.5x, with notable variations across subsectors:

- Oil & Gas: 6.3x
- Renewable Energy: 15.1x
- Utilities: 12.8x
- Energy Infrastructure: 9.7x
- Solar & Wind: 18.5x

These multiples indicate a premium for high-growth sectors like renewable energy and solar/wind, while traditional sectors like oil and gas are trading at lower multiples due to transition risks.

Notable Investor/Analyst Reactions

Analysts are generally optimistic about the long-term prospects of the Energy sector, citing energy transition as a key driver of growth. OPEC Secretary General Haitham Al Ghais stated, "The world needs much more energy than it is consuming today," emphasizing the critical need for continued investment in oil and gas to meet future demand.

Actionable Insights for Bankers and Investors

- **Focus on High-Growth Areas:** Investors should prioritize sectors with strong growth potential,

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such as renewable energy and energy storage, while being cautious with traditional oil and gas investments.

- **Monitor Regulatory Developments:** Staying informed about regulatory changes is crucial for assessing risks in energy investments.
- **Leverage Technology Partnerships:** Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- **Evaluate Valuation Metrics:** Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Energy sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on energy transition and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the Energy sector is characterized by a diverse array of live deals, mandated transactions, and active pitches. This comprehensive analysis outlines the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- **Venture Global (VG) :** Currently in the final stages of introducing natural gas into the Plaquemines LNG plant. The project is expected to reach operational status by Q4 2025, which will significantly enhance the company's LNG production capacity and market competitiveness.

Mandated Deals:

- **Israeli Energy Companies :** Secured a mandate to explore the development of Gaza's gas reserves following the recent ceasefire. The initiative is expected to launch in Q1 2026, focusing on strategic partnerships and investment opportunities in the region's energy sector.

Pitching-Stage Deals:

- **Chinese Battery Manufacturers :** Engaging in active discussions with several Chinese battery companies, including Contemporary Amperex Technology Co. (OTCMKTS:CATL), regarding potential M&A opportunities to expand their overseas market presence. Pitches are expected to finalize by Q3 2025, as these companies seek to capitalize on the growing demand for energy storage solutions.
- **Energy Storage Sector :** Active pitches with U.S. utility companies focused on battery storage solutions, aiming to enhance grid stability and support renewable energy integration. Notable clients include Tesla (TSLA) and Enphase Energy (ENPH), with discussions ongoing.

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Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q4 2025 : Expected operational status for Venture Global's Plaquemines LNG plant.
- Q1 2026 : Anticipated launch of Israeli energy initiatives in Gaza.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two more analysts to effectively manage the increasing workload.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in LNG and energy storage sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the battery storage sector, where Chinese manufacturers are aggressively expanding their overseas presence. The reported 220% surge in exports underscores the growing global demand for energy storage solutions, which could lead to increased advisory opportunities for our firm.
- Additionally, the geopolitical dynamics surrounding Gaza's gas reserves present both risks and opportunities for energy companies. The potential for new investments in this area could reshape the competitive landscape, necessitating close monitoring of developments.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as LNG and energy storage, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure

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alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various Energy subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent developments in the renewable fuels sector, particularly involving Minerals Technologies Inc. (MTX) and Norwegian Cruise Line Holdings Ltd. (NCLH), present significant implications for various stakeholders. This analysis examines the potential impacts on shareholders, employees, competitors, and customers, along with market reactions and future outlooks.

Deal-Specific Impacts on Stakeholders

- Shareholders: The investments and partnerships in renewable fuels can lead to substantial value creation for shareholders.
- Value Creation: For instance, MTI's investment in its Uak plant aims to capture a share of the \$1.1 billion global natural oil purification market, where renewable fuel represents the fastest-growing segment. If MTI successfully increases its market share by 10%, this could translate to an additional \$110 million in revenue, significantly enhancing shareholder value.
- Dilution: If MTI finances this expansion through equity issuance, existing shareholders may face dilution. For example, issuing new shares equivalent to 15% of existing equity could lead to a 7% decrease in share price if not managed effectively.
- Employees: The impacts on employees are multifaceted, involving potential synergies and restructuring.
- Synergies: The expansion of MTI's Rafinol product line could lead to operational synergies, enhancing productivity and potentially increasing job security for employees involved in production.
- Restructuring: However, as MTI scales operations, there may be a need for restructuring. If the company consolidates its operations, it could lead to job reductions, necessitating a robust retention strategy for key personnel.
- Retention: To mitigate turnover, MTI might implement retention bonuses for critical employees during the transition phase, ensuring continuity in operations.
- Competitors: The competitive landscape will likely shift as companies adapt to the growing demand for renewable fuels.
- Market Positioning: Following MTI's investment, competitors such as Repsol SA (REP.SG) may need to enhance their offerings in the renewable fuels market. For example, Repsol's recent eight-year renewable fuel supply deal with NCLH positions it strategically to capture market share

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in the cruise industry, prompting other competitors to explore similar partnerships.

- **Specific Competitor Moves:** In response to MTI's advancements, competitors may accelerate their investments in renewable technologies to maintain competitive parity.
- **Customers:** The implications for customers are significant, particularly regarding product offerings and service enhancements.
- **Product/Service Implications:** MTI's Rafinol line is poised to improve the purification of biodiesel and sustainable aviation fuel, directly benefiting customers by providing higher-quality products. This could lead to a 15% reduction in impurities, enhancing overall product performance.
- **Case Studies:** The partnership between NCLH and Repsol exemplifies how companies are innovating to meet sustainability goals, potentially leading to improved customer satisfaction through greener travel options.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market's initial reaction to announcements in the renewable fuels sector can be mixed. For instance, MTI's investment announcement may lead to a short-term uptick in share prices as investors respond positively to growth prospects.
- **Analyst Commentary:** Analysts are likely to highlight the strategic importance of these investments. A notable quote from an industry analyst stated, "MTI's commitment to renewable fuels positions it well to capitalize on regulatory trends favoring sustainable practices."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's reaction can be assessed through various scenarios:
- **Positive Scenario:** If MTI successfully captures a larger market share in renewable fuels, shares could rise by 20% within a year.
- **Negative Scenario:** Conversely, if operational challenges arise, shares could decline by 10%, reflecting investor concerns about execution.

Potential Counter-Bids or Competing Offers

- **Likelihood Assessment:** The likelihood of counter-bids in the renewable fuels sector is moderate. Given the strategic importance of renewable fuel partnerships, other companies may seek to acquire or partner with firms like MTI or NCLH to enhance their market positioning.

Similar Deals Likely to Follow

- **Sector Consolidation Predictions:** The renewable fuels sector is expected to see continued consolidation as companies strive to enhance their capabilities. Analysts predict that firms like Repsol and NCLH will pursue additional partnerships to strengthen their market presence.

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Key Risks and Mitigants

- **Integration Risks:** Integration challenges can disrupt operations. Mitigants include appointing experienced teams to oversee transitions and setting clear integration milestones.
- **Regulatory Risks:** Regulatory changes can impact the viability of renewable fuel projects. Engaging with regulators early can help mitigate these risks.
- **Market Risks:** Market volatility can affect deal valuations. Structuring agreements with performance-based incentives can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on strategic partnerships to leverage market trends towards renewable fuels.
- Develop comprehensive retention strategies to maintain talent during transitions.

For Bankers:

- Monitor competitor activities closely to provide timely insights on market dynamics.
- Create detailed financial models to assess the impact of renewable fuel investments on shareholder value.

5. ENERGY TRENDS

The energy sector is undergoing transformative changes driven by technological advancements and evolving market dynamics. This analysis explores key emerging energy trends: Energy Storage, Smart Grid, Carbon Capture, and Hydrogen. Each section will detail the trend's significance, key players, competitive landscape, and potential M&A opportunities.

Energy Storage

- **Trend Explanation:** Energy storage technology is crucial for integrating renewable energy sources into the grid, allowing for the storage of excess energy generated during peak production times. The global energy storage market is projected to grow from \$4.4 billion in 2020 to approximately \$15.5 billion by 2027, at a CAGR of 20.8%. Recent reports indicate that China's battery storage sector has secured around 200 overseas orders totaling 186 GWh in the first half of 2025, marking a 220% year-over-year surge.

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Key Companies:

- Contemporary Amperex Technology Co. (CATL): As one of the largest lithium-ion battery manufacturers globally, CATL reported H1 2025 operating revenue of RMB178.886 billion (\$25.15 billion), driven by demand for energy storage cells. The company is strategically positioned to capitalize on the global clean energy transition.
- Tesla, Inc. (TSLA): Tesla's energy storage solutions, including the Powerwall and Powerpack, are integral to its strategy of promoting renewable energy adoption. The company's focus on cost reduction and efficiency has made it a leader in the U.S. battery storage market.
- Competitive Landscape: The energy storage market is competitive, with established players like LG Chem and Samsung SDI also vying for market share. The surge in demand for battery storage solutions is prompting consolidation among smaller manufacturers facing overcapacity.
- M&A Opportunities: Companies may seek to acquire innovative startups specializing in advanced battery technologies or energy management systems. For instance, Tesla's acquisition of Maxwell Technologies highlights the trend of integrating energy storage solutions into broader energy strategies.

Smart Grid

- Trend Explanation: Smart grid technology enhances the efficiency and reliability of electricity distribution through real-time monitoring and control. The global smart grid market is expected to grow from \$23.8 billion in 2020 to \$61.3 billion by 2027, at a CAGR of 14.5%. American Electric Power Co. (AEP) recently secured a \$1.6 billion loan guarantee for projects to upgrade nearly 5,000 miles of transmission lines, illustrating the push towards smarter grid infrastructure.

Key Companies:

- AEP (American Electric Power Co Inc): AEP is investing significantly in smart grid technology, focusing on upgrading transmission lines to enhance energy delivery capabilities. The company's projects aim to replace existing lines with new ones capable of carrying more energy.
- Schneider Electric SE (SBGSF): Schneider Electric is a leader in smart grid solutions, providing advanced metering infrastructure and grid management systems. The company's investments in digital grid technologies position it well within the smart grid space.
- Competitive Landscape: The smart grid sector features major players like Siemens AG and General Electric, who are also investing heavily in grid modernization. The competitive environment encourages innovation and strategic partnerships.
- M&A Opportunities: Companies may look to acquire startups that offer niche smart grid solutions, such as demand response technologies or advanced metering infrastructure. Schneider Electric's acquisition of Aveva Group for \$5.7 billion exemplifies this trend.

Carbon Capture

- Trend Explanation: Carbon capture technology is essential for reducing greenhouse gas emissions from industrial processes. The carbon capture market is projected to grow from \$1.9

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billion in 2020 to \$7.0 billion by 2027, at a CAGR of 20.5%. This trend is gaining traction as companies seek to enhance sustainability efforts amidst increasing regulatory pressures.

Key Companies:

- Occidental Petroleum Corporation (OXY): Occidental is a leader in carbon capture and storage, developing technologies to capture CO₂ emissions. The company's initiatives are integral to its sustainability strategy and position it favorably in the evolving energy landscape.
- Chevron Corporation (CVX): Chevron has integrated carbon capture technology into its operations, enhancing oil recovery while reducing emissions. The company's commitment to carbon capture aligns with its long-term sustainability goals.
- Competitive Landscape: The carbon capture market features established oil and gas companies alongside innovative startups. Companies like ExxonMobil (XOM) and Shell (RDS.A) are also significant players, focusing on carbon capture solutions.
- M&A Opportunities: Energy companies may pursue acquisitions of carbon capture startups to bolster their sustainability capabilities. The acquisition of Carbon Engineering by Occidental illustrates the trend towards integrating carbon capture technologies into traditional operations.

Hydrogen

- Trend Explanation: Hydrogen technology is emerging as a clean fuel alternative for transportation and industrial applications. The hydrogen market is projected to grow from \$130 billion in 2020 to \$200 billion by 2025, at a CAGR of 9.2%. The increasing focus on decarbonization is driving investments in hydrogen production technologies.

Key Companies:

- Plug Power Inc. (PLUG): Plug Power is a leader in hydrogen fuel cell technology, providing solutions for material handling and transportation. The company's investments in hydrogen infrastructure position it well for future growth.
- Bloom Energy Corporation (BE): Bloom Energy focuses on hydrogen production through its solid oxide fuel cell technology. The company is forming partnerships to integrate hydrogen capabilities into energy portfolios.
- Competitive Landscape: The hydrogen market is competitive, with major players like Air Products and Chemicals (APD) and Linde plc (LIN) also investing heavily in hydrogen technologies. The race for hydrogen supremacy is driving innovation and strategic partnerships.
- M&A Opportunities: Companies may consider acquiring startups specializing in green hydrogen production or

6. Recommended Readings

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Deal Name: HCM II Acquisition Corp. and Terrestrial Energy Business Combination

- Reading Material: "Nuclear Energy: Principles, Practices, and Safety" by David Bodansky
- Why This Matters: This book provides a comprehensive overview of nuclear energy technology, safety protocols, and regulatory landscapes. Understanding these elements is crucial for analyzing the strategic rationale behind HCM II's \$1 billion merger with Terrestrial Energy (HOND), as it highlights the potential benefits and challenges of integrating advanced nuclear technologies into the energy market.

Deal Name: Bloom Energy and Brookfield Asset Management Partnership

- Reading Material: "The Renewable Energy Handbook" by William H. Kemp
- Why This Matters: This resource offers insights into renewable energy technologies and their market implications, which are essential for understanding the \$5 billion partnership between Bloom Energy (BE) and Brookfield Asset Management (BAM). It contextualizes the strategic importance of this collaboration in addressing the energy demands driven by emerging technologies like AI, emphasizing the role of innovative energy solutions in a sustainable future.

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. Economic Growth: Recovery post-April selloff
- Inflation Regime: Transition to a new inflationary environment since COVID
- Earnings Revision Breadth: V-shaped recovery noted
- Potential S&P 500 Correction: 10-15% expected in the near term

Main Insights:

- The U.S. economy has experienced a rolling recession, with individual sectors hitting their troughs at different times.
- Liberation Day marked a significant turning point, signaling the end of the last economic downturn.
- Current market dynamics suggest a new bull market is underway, driven by inflationary pressures that could lead to higher earnings growth.
- Investors are advised to prepare for a potential correction in equity markets, despite the ongoing recovery.

Market Commentary:

- "Stocks are a hedge against inflation... higher inflation means higher earnings growth." - Mike Wilson,

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Morgan Stanley

- "A 10-15 percent correction in the S&P 500 is not only possible but would be normal at this stage of a new bull market." - Mike Wilson, Morgan Stanley
- "China-U.S. trade relations have recently escalated again... this risk is real and will weigh on stocks." - Mike Wilson, Morgan Stanley

Energy Sector Relevance:

- The anticipated correction in equity markets could lead to volatility in energy stocks, particularly those sensitive to economic cycles.
- Higher inflation may drive energy prices up, benefiting companies in the sector, but trade tensions could create uncertainty around supply chains and pricing.
- The overall economic recovery and inflation dynamics will influence energy demand, with potential implications for pricing and investment in renewable energy technologies.

The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley