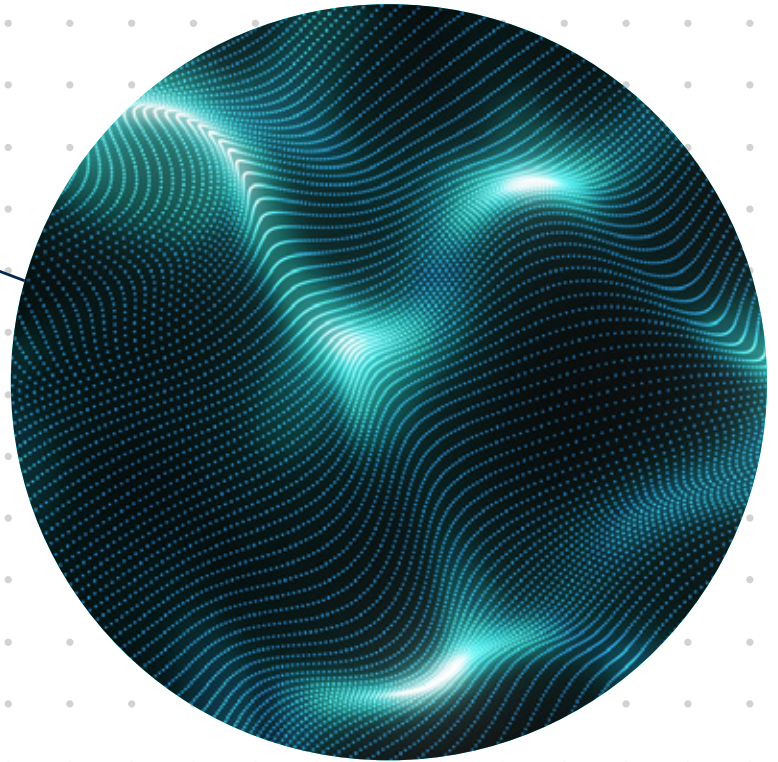


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Unlocking Energy Deal Value through Commercial Due Diligence

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Energy M&A in a Shifting Landscape: The Rising Importance of Commercial Due Diligence

In 2025, the energy sector is navigating a uniquely complex merger and acquisition (M&A) environment shaped by geopolitical shifts, trade policy disruptions, and diverging regulatory signals. The reintroduction of aggressive US tariffs—particularly on Chinese imports—has added cost pressures across global supply chains, while the reorientation of US energy policy under the current administration has created a more favorable climate for traditional energy investments. Additionally, recent events in the Middle East have created a much higher focus on energy security, making investments in domestic energy resources a priority for most governments across the world.

The reaction of different actors within the energy value chain varies based on their particular realities, business models, and long-term foci.

Both upstream and midstream oil and gas operators may view this as a positive environment to focus on portfolio optimization, including tactical M&A transactions that are more selective and thesis driven. Operators are prioritizing consolidation for scale, inventory depth, and capital efficiency. Carbon intensity and environmental, social, and governance (ESG) optics are central to valuation. Buyers are demanding rigorous validation of breakeven economics, decline curves, and exit optionality—particularly in unconventional and liquefied natural gas (LNG)-linked assets.

Midstream, storage, and grid infrastructure are benefiting from increased energy security focus and Inflation Reduction Act (IRA) incentives but remain sensitive to permitting timelines and cost escalations. Due diligence must test pipeline utilization assumptions, interconnection feasibility, and regulatory stability at both state and federal levels.

For oilfield services and equipment (OFSE) providers, the expected recovery is uneven across sectors. While larger players benefit from high utilization and pricing power in select basins and offshore markets, smaller providers face margin compression, labor constraints, and client-driven pressure to innovate (e.g., digital drilling, low-carbon solutions). Commercial diligence in this space must balance near-term contract outlooks with long-term competitiveness and technology adoption.

In the power and utilities sector, investor interest remains high in regulated and unregulated power, but diligence is increasingly focused on policy risk, rate recovery assumptions, and infrastructure readiness. Delays in transmission buildout and interconnection queues are tempering growth expectations for renewables portfolios. Hybrid assets (e.g., solar plus storage) require more granular modeling of revenue stacking and merchant risk.

Meanwhile, climate technology and clean energy investment activity keep evolving for both venture capital and private equity players. While climate-related startups continue to attract strong investor interest, valuation discipline has returned. Investors are scrutinizing commercialization risk, unit economics, offtake credibility, and capex intensity. Commercial due diligence (CDD) in these segments must go beyond total addressable market (TAM) analysis and dig into go-to-market readiness, technology differentiation, and value chain integration—especially in sectors like green hydrogen, carbon capture, utilization, and storage (CCUS), electric vehicle (EV) charging, and grid software.

The rest of 2025 likely will remain volatile but opportunity rich. Investors who can navigate policy complexity, regional dynamics, and shifting capital flows will be best positioned to unlock value, whether in fossil fuels, renewables, or the technologies that bridge the two. As we pass the midpoint of 2025, the energy sector is navigating a complex and evolving investment landscape characterized by macroeconomic volatility, geopolitical instability, regulatory changes, and an accelerated energy transition. While global M&A activity has regained momentum since 2023, dealmaking in the energy sector remains highly stratified across segments, necessitating precision and insight-driven decision-making.

Why Commercial Due Diligence Matters

Investors across the energy spectrum can no longer rely on legacy assumptions or sector-wide tailwinds. Each transaction demands a sharper focus on market fundamentals, policy risk, unit economics, and value creation levers.

In this context, commercial due diligence is no longer just a check-the-box step but a mission-critical process that enables smarter investment decisions and more resilient growth strategies. Key roles CDD plays in today's market include:

- **Informed decision-making.** CDD delivers a clear, objective understanding of the target's commercial viability. It validates key assumptions around market size, growth trends, and customer demand, ensuring that investment theses are grounded in reality.
- **Risk mitigation.** By identifying potential red flags—such as overreliance on a few customers, regulatory hurdles, or disruptive competitors—CDD helps investors avoid costly surprises post-transaction.
- **Strategic fit assessment.** CDD evaluates how well the target aligns with the buyer's strategic goals. It examines synergies, cultural compatibility, and integration challenges, helping buyers determine whether the deal will truly create long-term value.
- **Value-creation opportunities.** Beyond risk, CDD uncovers upside. It identifies growth levers such as pricing optimization, geographic expansion, or product innovation, laying the groundwork for post-deal value creation.
- **Investor and stakeholder confidence.** A rigorous CDD process enhances credibility with boards, lenders, and co-investors. It demonstrates that the deal has been thoroughly vetted and that the buyer is entering the transaction with eyes wide open.
- **Smoother post-merger integration.** A thorough understanding of the target's market position and strengths and weaknesses enables the acquirer to create and implement integration plans more efficiently, leading to faster achievement of desired outcomes and value creation.

Types of CDD: Buy-Side vs. Sell-Side, Internal vs. External

Not all CDD processes are created equal. Purpose, audience, and approach can differ significantly depending on the context of the transaction. At BRG, we tailor our due diligence offerings across four key scenarios:

Buy-Side versus Sell-Side Commercial Due Diligence

The potential acquirer or investor commissions buy-side CDD to validate the investment thesis, assess risks, and uncover value-creation levers. Buy-side CDD focuses on market size and growth, competitive positioning, customer dynamics, and synergies. The tone is critical and investigative, and the output is used for internal decision-making.

On the other hand, the company being sold (or its advisors) commissions sell-side CDD, the objective of which is to present the business in the best light, preempt buyer concerns, and accelerate the sale process. It focuses on the growth story, market opportunity, and defensibility and often is shared in data rooms as a marketing and disclosure tool.

Internal versus External Commercial Due Diligence

The buyer or seller's in-house team conducts internal CDD, which may be constrained by internal bandwidth or expertise. It is useful for early-stage screening or low-risk deals but may lack perceived objectivity.

An independent third-party firm conducts external CDD, which is viewed as more credible and impartial. It brings specialized skills, sector knowledge, and external benchmarks, making it ideal for high-stakes transactions and board-level decisions.

Key Success Factors in Commercial Due Diligence

The effectiveness of a CDD exercise depends on not only the data collected, but how insightfully it is analyzed and tailored to the deal's specifics. Based on our experience, critical success enablers include:

- **Industry expertise.** In addition to a robust CDD process understanding, deep knowledge of the energy sector is essential to uncover the real dynamics behind any market projection or target positioning assessment. Knowing the “right questions” to ask is critical to address the issues impacting performance of target companies, and industry expertise is paramount to formulate the proper narrative supporting the CDD.
- **Clear scope and objectives.** Successful CDD begins with alignment. Stakeholders must agree on the key questions the diligence should answer—whether validating market growth, assessing customer churn, or benchmarking competitive positioning.
- **Speed and rigor.** M&A deals move quickly and require the CDD process to be timely and agile, while keeping focus on the necessary granularity and precision in the analysis. Structured approaches and pre-built frameworks enable agile delivery without sacrificing quality.
- **Robust market and competitive analysis.** Effective CDD combines primary research (e.g., expert interviews, customer surveys) with secondary data (e.g., industry reports, public filings) to build a nuanced view of the market landscape.
- **Customer and channel insights.** Understanding the voice of the customer is essential. CDD should assess customer satisfaction, loyalty, and switching behavior, as well as the effectiveness of the target's go-to-market strategy.
- **Experienced, cross-functional team.** A high-impact CDD team blends strategic thinking with sector expertise and analytical rigor. It must be agile, collaborative, and capable of navigating the fast-moving dynamics of a live deal.
- **Actionable, deal-relevant insights.** CDD should not be a data dump. The most valuable outputs directly inform the investment decision, highlighting risks, validating upside, and shaping integration plans.

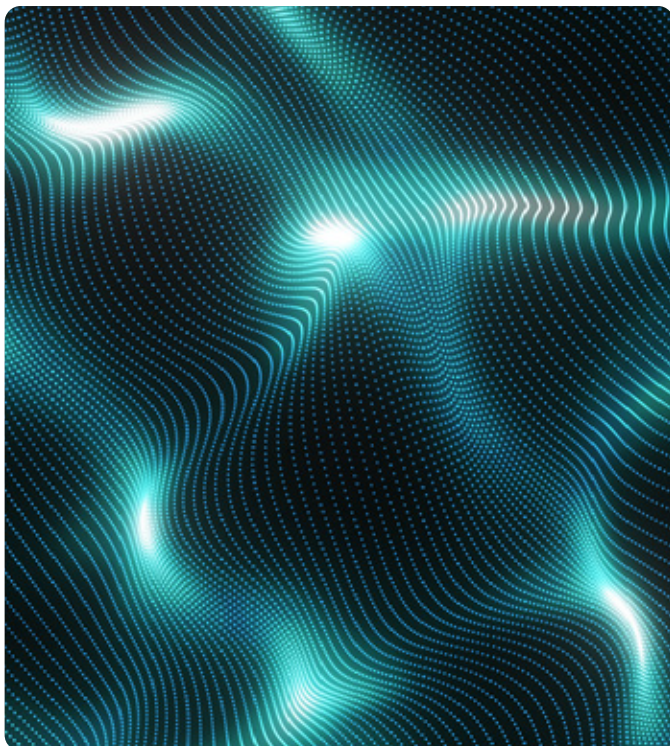
More specifically, based on the type of CDD process, key elements of success will focus on the final objective of the analysis, which can be summarized as follows:

Sell-Side CDD

1. Clearly articulate the equity story
2. Anticipate buyer questions and red flags
3. Substantiate growth forecasts
4. Position adjacencies and white space
5. Align materials across workstreams

Buy-Side CDD

1. Understand true market position
2. Quantify organic versus underwritten growth
3. Validate price-to-value alignment
4. Identify integration of growth barriers
5. Assess strategic fit and value creation

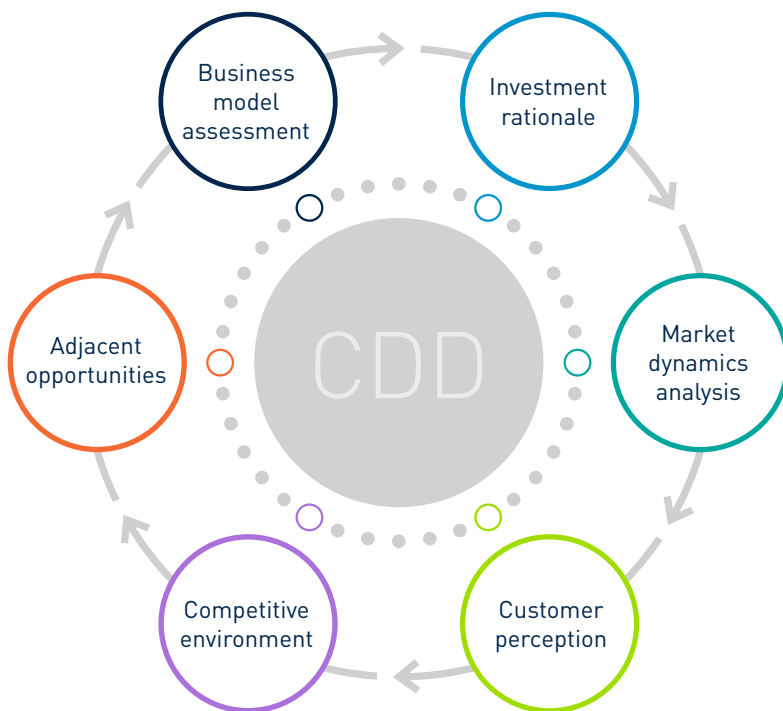


BRG's Value Proposition

In today's market, no two energy deals are alike. Each asset class carries its own set of risks and upside levers. To succeed, investors must go beyond surface-level validation and deploy commercial due diligence as a strategic decision-making tool—one that integrates sector-specific insight, voice-of-market intelligence, and a forward-looking view of regulatory and policy shifts.

At BRG, we specialize in delivering tailored, insight-driven commercial due diligence for investors and acquirers across the energy value chain. Our approach combines:

- deep energy-sector expertise in oil and gas, power, renewables, and clean-energy technologies
- proprietary frameworks for market sizing, customer segmentation, competitive benchmarking, and adjacent growth opportunities assessment that align with the sponsor's investment committee and transaction timelines
- tailored insights that go beyond the teaser deck to inform negotiation strategy and post-close plans
- actionable recommendations that go beyond analysis to support value creation



Our CDD framework ensures comprehensive coverage of key market elements, enabling our clients to validate their investment thesis:

- **Investment rationale:** clearly articulates the investment thesis and defines the red flags and key issues that CDD should solve for.
- **Market dynamics analysis:** provides a detailed assessment of the target company's addressable market size, segmentation, drivers, trends, and expected growth outlook; includes analysis of regulatory framework, industry environment, and relevant commercial nuances such as pricing dynamics and market resiliency to economy cycles.
- **Customer perception (voice of customer (VOC)):** compiles perspectives from market participants including customers, competitors, and other relevant industry players on key trends and buying preferences, vendor selection criteria, and perception on the target company versus other competitors.
- **Competitive environment:** describes the competitive landscape and supply chain dynamics; assesses the target company's positioning and differentiation in the addressable market.
- **Adjacent opportunities:** evaluates potential upside opportunities for the target company beyond the core market it currently serves; evaluates risks and potential downsides; identifies the best go-to-market strategies to enter new segments.
- **Business model assessment:** provides an overall assessment of the target company's business and evaluates opportunities to leverage its capabilities to succeed in the addressable market it plays, including its service/product offering, go-to-market strategy, revenue and pricing model, intellectual property and innovation differentiation, and supply chain strategies; assesses potential business synergies with existing operations (if applicable).

How BRG Adds Value Across the Deal Lifecycle

Sell-Side

- Frame value proposition in market terms (e.g., growth, margins, customer tailwinds)
- Pressure-test positioning with investor-style messaging
- Conduct mock diligence to identify and address commercial gaps
- Help management anticipate and proactively address “so what” questions
- Build detailed market sizing and the right narrative
- Validate growth claims with VOC and competitive intelligence
- Map out strategic expansion areas (e.g., new geographies, product lines)
- Quantify optionality to support valuation uplift
- Assist in coordinating with legal, financial, and operational advisors
- Ensure commercial story is consistently reflected in Confidential Information Memorandum, quality assurance, and management presentations

Buy-Side

- Analyze competitive landscape and relative positioning
- Assess sustainability of customer relationship and barriers to entry
- Build ground-up revenue bridges and market models
- Test forecast achievability via customer and channel diligence
- Link commercial performance to valuation
- Highlight misprice risks or upside in projections
- Identify risks in customer concentration, sales model, or churn dynamics
- Provide actionable commercial integrations recommendations
- Evaluate synergy potential and strategic overlap
- Support go/no-go or valuation walk decisions with confidence

Whether you're evaluating a bolt-on acquisition in upstream oil or a strategic investment in clean technology, we work with you to ensure that every decision is backed by clarity, confidence, and commercial insight.

In an environment where speed and precision are paramount, commercial due diligence is not just a checkbox—it's a strategic advantage. By uncovering hidden risks and surfacing growth opportunities, CDD empowers investors to unlock value and drive successful outcomes.

Ready to elevate your next deal? Let's talk about how we can support your commercial due diligence needs.

For more information, please contact:



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BRG combines world-leading academic credentials with world-tested business expertise, purpose-built for agility and connectivity.

Our top-tier professionals include specialist consultants, industry experts, renowned academics, and leading-edge data scientists that bring real-world experience to economics, disputes, and investigations; corporate finance; and performance improvement services that address complex challenges for organizations across the globe.

Our unique structure nurtures the interdisciplinary relationships that give us the edge, laying the groundwork for more informed insights and more original, incisive thinking from diverse perspectives that, when paired with our global reach and resources, make us uniquely capable to address our clients' challenges.

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