# Infrastructure… prancing back to the Dark Side

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Time to buy shares in paint companies (orange is gonna fly off the shelf) as the infra community completes its volte face, shedding all vestiges of virtue, to make some real money in oil and gas.

Banks and the entire advisory community are following their biggest clients – as they're wont to do – as they park aspirations to "do the right thing" and get their hands dirty in the lucrative world of O&G… right up the food chain to exploration and production.

Talking to folk around the industry this week, the mood on the street is very much that O&G's back in fashion and, as one lender of considerable renown points out "we never formally left".

Another infra chum admits that while the focus had shifted in recent (enlightened) times "more midstream than upstream" this source's bank had "never irreversibly closed shop".

Meanwhile, the recruitment sector confirms this direction of travel and infra head-hunters are prowling for people with O&G experience… likely not the easiest thing to find as candidates have obscured their involvement in an erstwhile unfashionable sector.

However, this does not stand true for all lenders and advisers. The "tree hugger banks" (as one source kindly describes them) will continue to hug trees, while virtuous advisers will claim they're opting out because they're nice people… but the reality is… they lack scale to tackle such large and technical transactions.

Meanwhile, the majority of lenders, big advisers and boutique specialists are quietly filling their boots – granted – more on the gas and LNG end of the scale (energy transition dontcha know), but increasingly moving up the scale towards E&P.

Many lenders and advisers will keep their roles invisible, with their dirty little secrets locked down tight in IJGlobal's subscriber-only database.

But for the oil majors, they are fearlessly press releasing their achievements, inviting activist redecoration.

### Drill, baby, drill…

While the mood music – conducted by Mr Trump with eager support from the orchestra – has been picking up in tempo, this evolution has been tracked (unintentionally) by IJ Friday Editorials.

Back in February 2018 we pointed to the number of coal-fired power plants being financed, unkindly calling out sanctimonious lenders (Equator Principle signatories) for their involvement.

Then in May 2018 the focus shifted towards oil majors tripping over their feet to embrace alternative energy, back in for another swing… but this time they meant business… so we were told.

The next year – May 2019 – the phrase "Freedom Gas" was coined in the early days of US trade wars with China and the "transition fuel" gained popularity, with everyone embracing "natural gas".

However, by October 2021, the discussion had moved on to greenwashing and virtue signalling and the witch hunters were out in force.

COP26 in Glasgow – November 2021 – felt like a turning point for alternative energy as the industry laid it out that there had to be returns, it wasn't a charity.

By COP28 in Dubai – December 2023 – the tide had turned and, while the renewables juggernaut continued to barrel down the road, it felt like the foot was easing off the pedal a bit and gas was creeping up the agenda as a transition fuel.

We didn't bother reporting on COP29 and the hypocrisy of bulldozing rain forest for the next one in Brazil is breathtaking, never mind the carbon footprint from thousands of people travelling to a sustainability talking shop. It feels very much like COP has jumped the shark.

Roll on to March 2024 and the sentiment was very much that the finger needed to be extracted if Net Zero was to be achieved. And by last August, we were pointing out that O&G was back.

We hadn't joined the dots… but we were calling the market, slowly… mapping out the priority shift from achieving Net Zero goals and adopting alternative energy sources to transition fuels and good ol' Black Gold.

To be clear, we're not calling the death of energy transition and ESG, they continue to play a massive role (region dependent)… it's just that – you know – O&G is happening. The data don't lie. Just look at IJ's regional reports for infrastructure finance for full-year 2024 which identifies O&G as the busiest sector (in the catch-all category) with $448.06 billion deployed internationally.

To balance that statement, the most active project finance sector globally over the course of FY24 was renewable energy with $247 billion deployed against it.

The message from the data is… O&G was always happening, just people are now less embarrassed to say they're doing it than they were a year ago. And they're heading upstream with gleeful abandon.

## The tipping point

BP noisily led the way with its announcement earlier this year (February 2025) that it was slashing back renewable energy plans to focus on O&G, increasing investment to around $10 billion.

This shift sees BP (apologies, we refuse to use lower case) reduce spending on renewables by up to $2 billion yearly, a $5 billion-per-year drop from previous investment plans… promptly followed by news that it had pulled the plug on its 500MW green hydrogen plant in Teesside, north east England.

Given the direction of travel for this oil major (let's go back to calling it that), it rather makes you wonder about the future of BP's wind JV with JERA – JERA Nex BP. But that's a whole different kettle of fish.

Meanwhile, today (Friday 4 April) we learn that Helge Lund is standing down as chair of BP and will be out the door next year. He is the latest activist investor scalp, with his card having been marked for failing to seek shareholder approval over the decision to change the clean energy strategy.

But BP is far from alone in throwing its weight behind hydrocarbons. There have been a host of O&G announcements recently that range from Equinor receiving permission to drill an exploration well in the Johan Castberg oil field in the Barents Sea, through approval for BP Trinidad and Tobago (bpTT) on the Ginger gas development at its Frangipani exploration well.

There are too many announcements to write here… it's almost as though they don't care any more. Drill and be daubed.

## View from the rigs

Some people contacted this week are of the view that "drill, baby, drill" stands true for the US, but that "Greta & Co still swing some lead" in Europe. But this is balanced with "O&G is where bucks are made".

One source in New York says: "Those managers with the freedom to look back upstream are doing so. Small, nimble operators – like family offices etc that are not beholden to woke LPs – have been making a killing for the last 4 or 5 years as bigger GPs fearing PR damage have looked enviously on."

Meanwhile, a Middle East infra type adds: "The increasing demand for energy security and economic growth is driving a resurgence in O&G involvement. ADNOC and Aramco are pretty active. I believe that the switch to renewables will take years and traditional O&G will remain in demand."

Another Middle East source points out that (at a certain Berlin event that cannot be named) O&G was not even mentioned, adding: "Lenders – banks – however have always been itching to go back to the sector and this may happen.

"I can't see European institutionals getting into it in a hurry though. Their ESG obligations are still binding and raising funds without DEI and ESG is still a challenge in Europe. Clearly less so in the Middle East, certainly from regional banks.

"So, you're probably right that we'll see more activity ultimately in this sector… but I'm not sure it's a full re-write of the rules of engagement."

Another infra luminary points to Deloitte research that identified upstream capex rising by 53% over the last 4 years, adding there is "clear evidence of O&G exploration making a comeback".

The source adds: "I'm definitely hearing more chatter about the financing of O&G projects and lenders are back in the game as the stigma around O&G appear to be fading."

Gabriel Onagoruwa, co-founding partner and chair of the finance and project development practice Olaniwun Ajayi, says: "I think one of the key drivers for this is the increase in investments in oil and gas companies by major private equity firms who may be more driven by returns for investors.

"Oil majors like Shell and TotalEnergies have also offloaded some of their assets, giving way to smaller companies and other investors to who are looking to fund and operate those assets. Non-bank lending is also on the rise which means that there is more competition for banks for viable investments."

Gabriel adds: "Importantly, the recent shift in US government policy to a pro-fossil fuel stance is also likely to accelerate this trend. So yes, it is possible we are at a tipping point although this renewed interest is unlikely to impact an energy transition buoyed by reliable technological advancements."

For a Gulf perspective, one source leans more into gas and the impact on utilities: "You'll see more greenfield conventional power in the Middle East – it's necessary even in support of energy transition.

"I think there is increasing realisation that not everything can be renewables... but baby steps. Some sponsors are now inserting clauses allowing them to divest if projects are no longer considered part of the carbon neutral future."

Another infra source says that "more lenders are coming back to gas/LNG" having "previously exited or reduced exposure".

The source adds: "Oil appetite however doesn't seem to have changed, still off limits for many banks, but gas as a transition fuel seems back on the agenda and perhaps NGO activity has been blunted by Trump, meaning banks can credibly support gas without worrying so much about reputation impact."

Back in London, another infra veteran says: "The Dark Side never really went away and now people are having to look at it again. Maybe not all the way up the value to chain to upstream, but policies will be changing just as the EU policy will also soften. It's all politics, and right now ESG is having to fight with security of energy."

So there you have it.

It's been a curious progression from first mention of Equator Principles on IJ dating back to June 2003 when the late, great WestLB's New York offices were mobbed by activists for lending to the OCP pipeline in Ecuador.

New energies remain of interest, but a veering back to O&G is definitely underway.