

What to Expect in Energy Finance Following the First Quarter of 2024



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As any Houston energy professional knows, ours is a capital intensive and volatile business heavily tied to geopolitics and regulatory developments. Cost efficiencies and a period of relatively stable prices have ensured that the oil patch is not seeing a repeat of the bankruptcy cycle seen in 2015-17. Investments in new technologies, data centers, renewables and reinvention of existing infrastructure have proliferated as capital for more traditional exploration and production activities remains constrained.

As the first quarter of 2024 ends, the latest economic indicators show that inflation remains stubbornly higher above Fed targets, clouding near term hopes for interest rate relief in the remainder of 2024. This is especially true given the explosive geopolitical situation in the Middle East and Ukraine and continued regulatory uncertainty around dealmaking. As far as predictions go, the November U.S. presidential election looms large as an inflection point on important regulatory matters affecting finance and investment, most notably merger and export controls, tax policy and climate regulations.

Alongside this backdrop, the IMF stated in April that the US and China must take actions to reduce future borrowings to limit inflation and tamp down the cost of US Treasury bills, which drive the borrowing costs of many other countries. In other news, Wall Street investment banks reported an increase of 27% in revenue from dealmaking activities, the highest level seen since Q1 2022.

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