

Energy & Infrastructure Update

Despite a slowdown across the global M&A market last year, energy and infrastructure (E&I) proved its resilience, with numerous and significant transactions taking place. Now into 2024, and there is plenty of reason for optimism moving forwards, with industry experts reporting a healthy volume of “dry powder” ready to be deployed. Warranty and Indemnity (W&I) insurance has remained a crucial tool in facilitating transactions, and it continues to innovate and evolve to meet the demands of the M&A market.

Steady flow of energy and infrastructure deals

Lockton advised on a steady flow of E&I deals during 2023, with an average enterprise value (EV) of £240m. Of those, transactions involving industrial assets accounted for the largest proportion (27%), followed by energy assets, manufacturing and digital infrastructure assets.

2023 Lockton E&I Transactions

£13bn

Lockton advised on more than £13 billion of E&I transactions in 2023

£328m⁺

Infrastructure
Average Deal Size

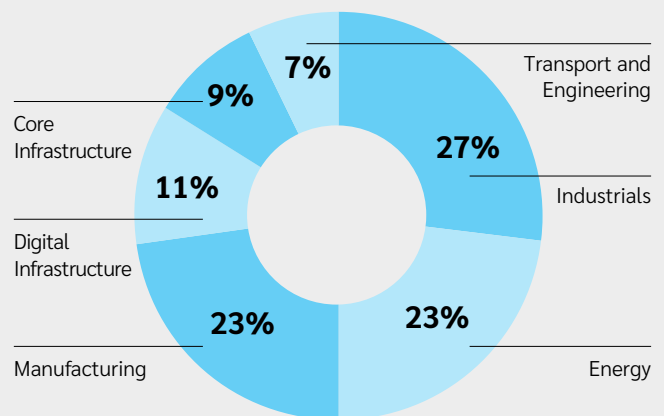
£205m⁺

Energy Average
Deal Size

0.83%

Av. Rate on Line
(% of Limit)

Transaction split by sector



Purchase of **Arriva Group** from Deutsche Bahn by I Squared Capital



Four multi-billion data centre transactions across EMEA



Completion of four 'shovel ready' co-located renewable assets in Eastern Europe and UK



Placing a market-first Contingent Risk policy in respect of CMA approval



Advising the sellers in respect of the sale of **Statera Energy** to EQT



Purchase of multiple stakes in a Scottish offshore wind site



Advising on the sale of **West African E&P oil and gas** company



Advising a supermajor on its purchase of an energy transition business

Sector analysis

Core Infrastructure: core and core-plus classes saw plenty of activity in 2023. The purchase of transportation company Arriva by Deutsche Bahn and I Squared clearly demonstrated private equity's continued focus on core-plus assets, supporting the view that there will be significant continued investment in this asset class during 2024.

Digital infrastructure: including data centre related deals was one of Lockton's busiest sectors in 2023, with multiple large-cap transactions. The growing reliance that society now places on this the sector has resulted in commentators, such as McKinsey, reclassifying these assets as "core". We have kicked-off 2024 with a continued flow of transactions in this sector.

Renewables: continues to demonstrate its resilience for investment, with numerous transactions in 2023 underlining private equity's commitment to driving the energy transition. Though some new-build projects may have stalled, the purchase of operational renewables assets, in particular BESS, remain active.

Oil and gas (O&G): buoyant in 2023, Lockton remains one of the few brokers to have successfully placed insurance across multiple O&G transactions in Africa and the Middle East. As ever, understanding the complexity of the risks in these jurisdictions is critical to selecting the right insurer and securing comprehensive cover. With decades of experience in this sector, and a global specialist energy team, we expect to see more transactions in this sector during 2024.

Key insurance takeaways

The average rate on line for E&I W&I premiums is currently at a record low. This follows an influx of insurers into the market in 2023, increasing competition in an M&A sector with a reduced number of deals. To take advantage of the lower pricing, buyers on average are opting for W&I insurance of more than 50% of the total enterprise value, in return for additional comfort.

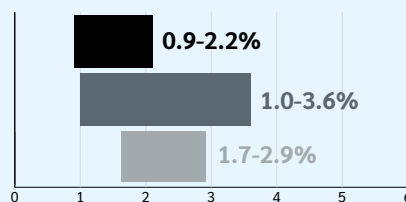
There have been an increasing number of transactions where W&I cost has been split 50/50 between buyer and seller. This demonstrative of the recent shift to a buyer's market, whereby the cost of deal facilitation tools is now being shared. By comparison, when there was more of a seller's market in 2021, the vast majority of policies were paid for by the buyer.

Insurers are demonstrating increased flexibility towards coverage as they look to distinguish themselves, with many offering additional enhancements for less (and in certain cases, no additional premium). Representative of these efforts is coverage for 'condition of assets' warranties now being available for renewables transactions, as insurers knowledge and experience has grown in this sector. This provides an important expansion of insurance coverage.

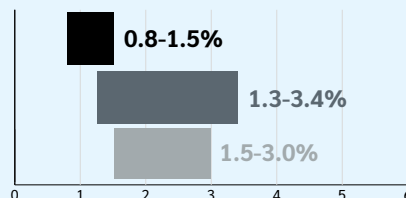
Due diligence scope is critical to ensuring the best possible W&I coverage and also to broaden what can be covered. Lockton regularly assists clients in defining this scope. We are, however, seeing a propensity for limited diligence to be undertaken, particularly for financial and tax due diligence. Buyers should be aware that the vast majority of claims under W&I have been in relation to financial or tax warranties. Fulsome due diligence in these areas is therefore critical in order to ensure broad W&I coverage and mitigate key risks.

Average Rate on Line

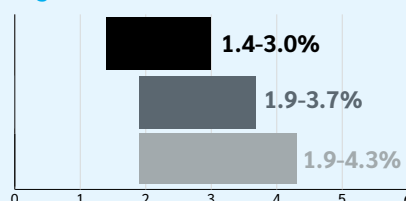
Industrials



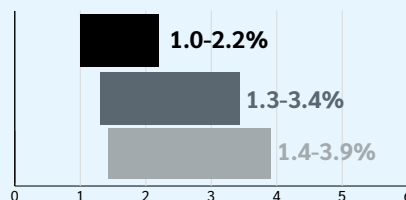
Core Infrastructure



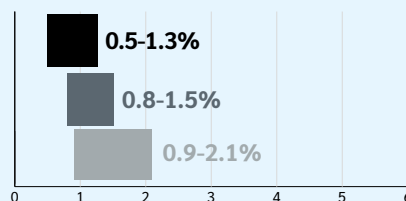
Digital Infrastructure



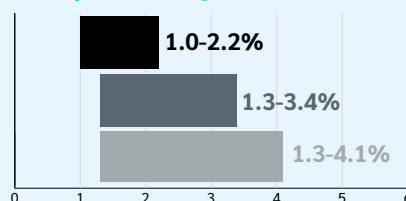
Manufacturing



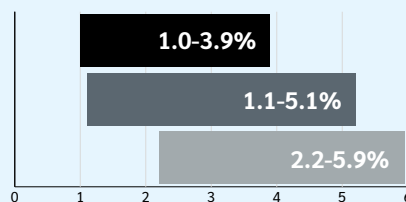
Energy (Renewable)



Transport and Engineering



Energy (Oil & Gas)



■ UK/Europe ■ Middle East ■ Africa

Lockton has supported us on multiple transactions across the Energy & Infrastructure industry. In each, they have helped streamline the W&I process, create innovative solutions and helped facilitate investments.

Tom Poole, Associate Director,
Macquarie Asset Management

We really like the Lockton team, their extensive dealmaking experience comes to the fore at the critical moments on the most complex of transactions.

Laura Marcelli, Partner, DLA Piper

The Lockton team are at the top of their game combining sector experience, market insight and the ability to get deals done. A pleasure to work with.

Nigel Taylor, Partner, Wedlake Bell

Meet our team

Lockton's client base includes supermajors, blue-chip energy and infrastructure companies, chemicals businesses, investment managers, private equity funds, sovereign wealth funds, pension funds, and developers. We work closely with our Lockton Global Energy team to provide our clients with a full complement of insurance products.

For more information, including details around products or pricing, please get in touch:



Ross Lima

Head of Energy and Infrastructure

T. +44 (0)207 933 1563

M. +44 (0)777 539 2997

E. ross.lima@lockton.com



Jarrod Morgan-Evens

Vice President, Energy and Infrastructure

T. +44 (0)207 933 1277

M. +44 (0)788 337 1573

E. jarrod.morgan-evens@lockton.com



Kenny Adesodun

Vice President, Business Development,
Energy and Infrastructure

T. +44 (0)207 933 1946

M. +44 (0)738 522 9675

E. kenny.adesodun@lockton.com