

Jeff Nichols in Gas Outlook: ‘Is ESG Really Starving the Oil and Gas Industry of Capital?’

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Some in the oil industry are blaming heightened investor concern over environmental issues as a cause for a shrinking pool of capital, which is leading to supply problems, but experts say the causes are multi-faceted, and pressure to rein in capex goes beyond a desire on behalf of investors to green their portfolios.

... Banks and large financial institutions have indeed pulled back from the oil and gas sector, which has increased the cost of capital, according to [Jeff Nichols](#), a partner with Houston-based law firm Haynes Boone.

“You might have 20 banks, 30 banks in the market, and now there’s a much smaller number of banks and some of these deals are much harder to put together,” Nichols told Gas Outlook, referring to the Texas oil and gas drillers looking for financing. “Bank financing is the cheapest form of financing, but there are other forms. But it translates into a higher cost of capital for the oil and gas companies.”

He said that a few years ago, massive private equity companies “swamped” the sector, and there was “so much capital being crammed into the industry.” Now, many of the big private equity players are gone, and the industry has reverted to an earlier time when smaller regional banks and wealthy individuals financed the drilling, as has historically been the case in Texas. The “easy money-raising days are over,” Nichols said.

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