Global Insolvency: 2025 Reflections and 2026 Projections

Sector | Oil and Gas

February 2026

Oil & Gas

As we step into 2025, the global oil & gas sector finds itself at a pivotal moment.

Concerns about energy security, pressures to decarbonise, and the rapid pace of digital transformation are **reshaping how businesses operate, allocate capital, and manage risks**. Yet, hydrocarbons remain a cornerstone of global energy supply and industrial value chains.

These shifts, compounded by higher interest rates and the lingering effects of the pandemic, are causing significant distress. This is especially true for leveraged exploration and production companies and oilfield service providers grappling with project delays, cost overruns, and tighter lending conditions.

Our Next in Energy and Energy Deals 2026 outlook highlights that upstream capital expenditure has bounced back to levels not seen in a decade. However, major players are now focusing on capital discipline, shareholder returns, and selective investments. OPEC+ production cuts and slowing demand growth are limiting potential gains and increasing downside price risks.

01

Capital discipline, price volatility, and CapEx reset

Oil & gas capital expenditure has seen a strong recovery since its 2020 low, with the International Energy Agency estimating it will exceed

US$570 billion in 2025

Yet, integrated majors are adopting more cautious spending strategies, prioritising cash flow and shareholder distributions over aggressive growth. OPEC+'s decision to extend production cuts, coupled with slower demand growth compared to pre-pandemic levels, **suggests a well-supplied but stable market in the near term**.

For producers and contractors with high leverage,

this mix of increased CapEx needs, flat pricing, and rising funding costs **heightens refinancing and covenant-breach risks**, leading to ongoing restructurings.

02

Energy transition, ESG, and legacy-asset risk

Our global view of the oil & gas industry underscores the sector's transformation driven by demands for energy security, decarbonisation, and digital innovation. Key trends include ESG as a value driver, increased investment in renewables and 'green molecules' like hydrogen, and heightened regulatory and stakeholder scrutiny.

Companies must balance maintaining legacy fossil fuel assets with:

Investing in low-carbon growth

Managing emissions

Adapting to evolving disclosure requirements

Failure to evolve can lead to **stranded-asset risks, higher capital costs, and push weaker balance sheets** towards restructuring or distressed asset sales.

03

Tariffs, trade, and geopolitical pressures

Our America in Motion analysis highlights that the oil & gas sector is **particularly vulnerable to changes in US trade policy** due to its dependence on cross-border exchanges of equipment, services, and commodities.

Trade tensions, sanctions, and geopolitical shifts are **reshaping investment choices, supply chains, and pricing strategies**, increasing the need for working capital and heightening operational risks.

Our Value in Motion research reveals that

as AI, climate, and trade trends converge, trillions in corporate value are being reallocated, positioning oil & gas at the heart of global energy dynamics.

04

Service segment under strain

The Global Insolvency Year in Review 2024 shows that in Malaysia, where oil & gas is a key economic pillar, **many service providers faced challenges in 2025 despite high global oil prices**.

Delays in projects, cost overruns, and cautious lending have made it tough for smaller firms to secure new contracts and refinance upcoming debts.

Notable cases

include the liquidation of Serba Dinamik and the restructuring of Sapura Energy Berhad through a scheme of arrangement — both global service providers whose financial difficulties were **worsened by COVID-related disruptions, project delays, and maturing debts**.

05

M&A, consolidation and liability management

Our insights into the oil & gas and broader energy, utilities & resources (EU&R) sectors reveal a persistent trend towards strategic mergers and acquisitions (M&A) and consolidation. Companies are striving for scale, refining their portfolios, and building integrated value chains, especially in LNG and midstream infrastructure.

The Energy Deals 2026 outlook

signals a move from mega-deals to more disciplined mid-cap, stock-for-stock transactions.

There's a growing focus on **integrated upstream-midstream platforms** and an increasing investor **interest in assets tied to stable cash flows and gas-fired/LNG demand**, including from data centers hungry for energy.

For operators facing distress or lacking scale, this environment offers both exit opportunities and competitive pressure, with formal insolvency and pre-packaged restructurings being used to streamline portfolios and transfer assets to stronger sponsors.

Examples of filings in 2024–25 (1/2)

Long Run Exploration Ltd. / Calgary Sinoenergy Investment Corp. (Canada)

Long Run, an Alberta-based oil & gas company, and its parent sought court protection in July 2024, facing approximately C$1.4bn in liabilities, including major environmental obligations. **Financial strain followed the maturity and non-repayment of key facilities in December 2023**.

Insolvency proceedings were initiated to tackle substantial debt and environmental liabilities, but the debtor-led process ultimately failed, leading to receivership in early 2025 with us appointed as Receiver.

Serba Dinamik, Malaysia

Serba Dinamik, a prominent Malaysian oilfield services provider with a global EPC footprint, entered liquidation **due to severe cashflow disruptions, pandemic-related delays, project slippage**, and **tightening financial conditions**.

Sapura Energy Berhad, Malaysia (Oilfield Services)

Sapura Energy is undergoing restructuring through a Scheme of Arrangement to address significant debt maturities and enhance liquidity. Distress was **worsened by delayed projects, cost overruns, pandemic disruptions,** and **restricted access to capital**.

Examples of filings in 2024–25 (2/2)

US Shale Upstream Producer Insolvency Trend (Wave 1 and Wave 2)

We highlight that US shale experienced two major restructuring waves (2015–16 & 2020–21), **driven by leverage, price volatility, capital flight, and investor discipline**.

While the current cycle is more consolidated and disciplined, refinancing and CapEx funding pressure persists for smaller shale players.

LNG & Midstream Portfolio Optimization vs Distress

Our global EU&R insights highlight that LNG and midstream infrastructure are thriving **due to energy security, rising gas demand**, and **industrial growth,** including data centers. These sectors face less insolvency risk compared to upstream services.

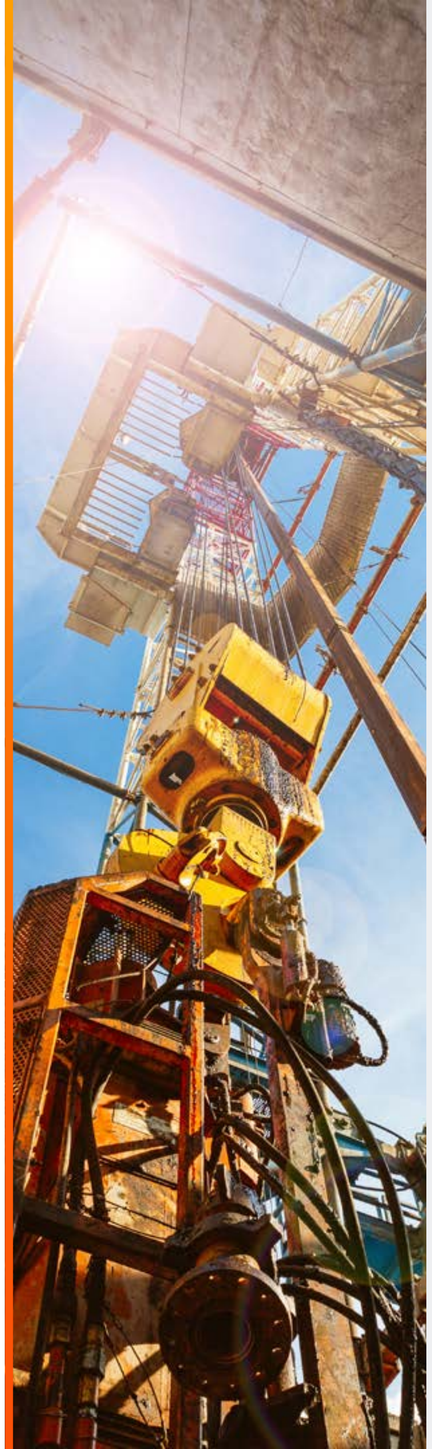
UK Petrofac (Administration & Asset Sale)

In the UK, Petrofac entered administration in October 2025 after enduring financial **strain from high debt costs, tough market conditions,** and **difficulties in securing new business** post-regulatory investigations. They attempted to restructure their finances with a UK Restructuring Plan, which was later appealed. Administrators are now working to sell its UK design, consulting, and asset lifecycle services division, alongside a CVA.

UK Waldorf Energy Partners (Upstream Restructuring Plan and Strategic Acquisition)

In 2024, parts of the Waldorf Energy Group went into administration. A UK restructuring plan was proposed in 2025, faced challenges, and was appealed. Eventually, Harbor Energy acquired the business. This move underscores how restructuring tools can drive consolidation in the North Sea, especially as **capital discipline, production decline,** and **transition pressures** reshape asset ownership.

2026 Outlook



01 Refinancing and Liquidity Risk

With upstream capital expenditure reaching new heights, yet major players hinting at future cutbacks and OPEC+ extending production cuts, we foresee ongoing tension between investment needs and capital discipline.

In this climate, smaller and highly leveraged exploration and production companies, along with service providers, might encounter refinancing hurdles, especially when projects face delays, costs overrun, or margins are tight. This scenario points to a sustained need for restructuring, debt adjustments, and strategic asset acquisitions.

02 Consolidation, Portfolio Reshaping, and Transition Capital

Strategic mergers and acquisitions in energy, utilities, and resources are set to remain pivotal in capturing 'value in motion' as energy demand rises, transition goals evolve, and geopolitical shifts reshape value chains.

We anticipate ongoing consolidation in shale and midstream sectors, integrated LNG platforms, and a shift away from non-core or carbon-heavy assets. For companies under stress, these trends offer opportunities to sell quality assets and set competitive benchmarks, potentially speeding up formal restructuring when standalone viability is weak.

03 ESG, Reporting, and Non-Financial Liabilities

As ESG requirements, emissions-reporting standards, and stakeholder expectations strengthen, they will continue to shape funding access and valuation. Our insights in oil and gas highlight ESG as a competitive edge, not merely a compliance matter. Shortcomings in environmental performance, decommissioning provisions, or transparency are increasingly translating into financial and legal risks. This is evident in cases where environmental obligations form a significant part of creditor claims, as seen with Long Run's notable environmental liabilities.

04 Operational and cyber risk

As oil & gas companies embrace digital transformation and new technologies, we're highlighting the growing cyber threats to critical infrastructure. These attacks can jeopardise safety, finances, and operations. With increased cyber, supply chain, and project execution risks, alongside rising interest rates and fluctuating prices, restructuring advisers are expected to remain busy, especially in intricate, cross-border group structures.

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