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ENERGY UNWRAPPED

2025: A Year of Living Dangerously

Annual review of the global energy sector

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9 December 2025 | Published with ANZMEX Business Council

Introduction

The year of election consequences. 2024 was the year of elections with 7 of the 10 largest populations voting and more than 2 billion people across 60 countries having the opportunity to influence the world's approach to energy. In 2025, new governments settled in. There were big implications for energy, particularly USA, UK, India, Mexico, Namibia & Venezuela. The economic turmoil caused by the pandemic, lockdowns, sky-high oil & gas prices, recession, high inflation, unaffordable energy bills and cost of living crises, has now been replaced by geopolitical tensions, multiple wars & conflicts, and tariffs. The threat of tariffs and sanctions became a global weapon. Renegotiation of trade agreements & tariffs was a hot topic throughout 2025, with many countries in upheaval and chaos as tariffs were imposed on them and often changed at a moment's notice; numerous countries retaliated with their own sets of tariffs. Markets and companies craved calm governance, but this was in short supply. Many governments launched massive changes in policies and taxation, some introduced complete U-turns.

The Energy Transition Diverges

Great divergence appeared in the path of the energy transition. Complex new geopolitics has taken hold, with countries pulling in different directions. Global consensus on reducing emissions has fragmented and the public are often confused by what is happening. Great ambitions are not being met with great actions. Less than 20% of the world's largest companies are on track for 2050 goals. The pace of energy transition has become very variable, and somewhat patchy. Energy security has risen up the agenda; nuclear is increasingly seen as a strategic must-have technology. There is no doubt we are in the midst of an energy transition but the global vision and common purpose have faded; for many, it is not simple as they expected; it has become unstable. The price of electricity now varies enormously with, for example, power prices in the US & Canada less than half or a third of prices in many advanced economies. The complexity and scale of challenges was poorly explained and still is. The reality that we need all energy types was often ignored or glossed over.

Oil & Gas Exploration

Oil & gas exploration in 2025 was characterised by divergence. For example, in the UK offshore North Sea, it's almost unbelievable that no new exploration wells were drilled, whilst crippling windfall taxes continue, and oil and gas production has fallen ~40% over the last 5 years and is expected to halve again through 2030. This is an accelerated decline driven by government policy on Net Zero, electrifying everything, and a preference to import high carbon footprint fuels rather than produce domestically. To be clear, this is not about the geology! Across the median line in the North Sea, Norway continues to make new discoveries, pump out oil and gas, make & export LNG, and store CO ,. The EU's historic agreement to phase out Russian natural gas imports will have a long-lasting impact on global energy trade and acceleration of energy independence. Elsewhere, Mexico has switched from an oil-focussed strategy central to their energy economy, to new solar and wind driven growth in power generation and plans to begin fracking for natural gas to reduce import dependence on the USA. India & China fuelled large parts of their economies with cheap Russian oil imports that are embargoed elsewhere. Brazil meanwhile is delivering both big renewables onshore, including big biofuels, and giant offshore oil production from deepwater fields. Meanwhile, New Zealand has U-turned its ban on exploration and is actively trying to bolster subsurface oil & gas resources and production.

Oil Prices & Company Strategy

Oil prices slipped down to around US$ 60 per barrel. Oversupply of oil and weak growth in many economies is pointing to a future with lower prices, and OPEC+ quota adherence again becoming key to future pricing. Company mergers and shedding of staff was common throughout the year. Active asset buyers included Chevron, Stonepeak, Mitsubishi, Vista. Not all deals went through, for example, the purchase of Santos in Australia. Consolidation of operations in certain basins became popular, for example Shell-Equinor, Total-NeoNext, and Repsol-HitecVision in the UK North Sea. The signals point to a time of lower prices (barring new military conflicts), which may slow the energy transition. Still, oil demand has clearly not peaked, something which many economists clearly got badly wrong in past years. Indeed, oil & gas are now seen as a mainstay of the energy sector for decades. A new term 'resilient hydrocarbons' has emerged with focus shifting in 2025 to whether there is sufficient investment for future oil & gas needs. There is genuine concern; renewables now attract far more investment than hydrocarbons. The IEA reversed its previous position of 'no more oil & gas investment' replacing it with now seeing investment in hydrocarbons as essential. Oil & gas are not going away – the thing that did change is the way people talk about and view the sector as a necessary part of the energy future. Realignment of oil company strategies compared to just two years ago was prominent, with a swift return by many to more hydrocarbons and with less renewables and low carbon options in their portfolios. For many observers this was alarming, but for big companies such as Total Energies, Shell, BP & Equinor, this was just sensible business.

Drilling Activity & Investment

The much touted drill-baby-drill mantra struggles to take hold. The Baker Hughes rig count is down year-on-year both within the closely watched North American sector, and the international arena, in part because oil & gas demand in markets are over-supplied and prices are depressed. Heavily discounted Russian crude continues to find its way into important markets such as India. With prices of US$ 60 per barrel and less, most fracking projects of unconventional reservoirs are perilously close to break-even levels, whilst high-cost late-life producing fields and some deepwater projects really struggle. The incentives to get out and drill are limited, whilst replacement of reserves is less of a priority at the moment; this is reflected in limited Capex budgets and is storing up a problem of whether there will be sufficient future production, say in 5 years. Investment in renewables now significantly outpaces investment in oil & gas at about 2 to 1.

COP30 & New Opportunities

COP30 yielded no substantial breakthroughs. There was no meaningful progress on phasing down or phasing out fossil fuels, and weak progress on methane reduction and nationally determined contributions (NDCs). Global issues, wars, and politics have thrown the transition off course. The world is living dangerously; we are way off track on targets in the Paris Accords. Against such a backdrop, the oil and gas industry will quietly push ahead. Many new E&P bid rounds are in the planning stage – Angola, Algeria, Equatorial Guinea, the US Gulf of Mexico, to name a few, whilst the Alaska wildlife refuge has been reopened, and Mexico has created new contracts to lure investors back. Direct entry opportunities are increasing, and State companies continue to court private investment, for example in Iraq, whilst new LNG export projects are surging, particularly USA and Mexico. Suriname progressed development of both its first offshore deepwater oil and first natural gas deepwater projects with oil production targeting 2028 and LNG in 2030. Namibia and Brazil both recorded massive new discoveries. The positioning of natural gas as a bridging transition fuel has shifted with LNG now touted as the go-to solution for energy shortages and energy security.

Grids, Batteries & Critical Minerals

Grids and transmission desperately need more investment. Whilst electrifying everything continues at pace, and renewables adoption continues, there is a weak point with insufficient investment in power grids and a need to upgrade transmission infrastructure to cope with intermittent renewables generation, particularly wind and solar. The deployment of giant batteries and battery systems is now a key element of the energy transition. These batteries are now used to stabilise distribution grids, and substitute power production when wind and solar are not available. Battery projects have the potential to eliminate gas-fired plants used for peaks in demand, and they are cheap and quick to construct. Adoption of household batteries suitable to feed homes and charged by solar is also soaring. Technology now exists to hook your EV car battery up to use for home power consumption and then recharge it when off-peak electricity rates are lowest, ready for motoring the next day. Meanwhile, 2025 showed that the race to secure rare earth elements is fully underway, as well as other key elements of batteries and power systems, such as cobalt, lithium, copper, and tin. But Capex across the mining industry is also at relatively low levels.

New Frontiers

Various countries re-opened to energy investments. Notably Syria's energy sector which has major gas, power and upstream opportunities has been attracting interest since the change in regime a year ago, followed by relaxation of sanctions. New investment can revive both oil which had declined around four-fold to 100,000 bopd, natural gas three-fold to 300 mmscf/d, and electricity down six-fold to 1.5 GW. Elsewhere, frontier wildcatting in Libyan deepwater provinces is moving forward with drilling next year.

Fusion & Artificial Intelligence

Fusion is showing real promise. So often nuclear fusion has been dreamt of as the ultimate energy solution, but little progress was made. This all changed in 2025. In Germany, the Wendelstein 7-X fusion reactor replicated the process of the Sun by turning hydrogen into helium. Temperatures can reach over 20 million degrees Celsius! The reactor operated for over 40 seconds and has now been upgraded to run for 30 minutes; the technology is targeting connection to power grids by 2030. Fusion has true gamechanger potential to produce unlimited clean energy, zero carbon emissions and energy that is millions of times denser than fossil fuels.

The most common new energy word was 'AI'. Just a few years ago, AI was almost unheard of. In 2025, AI flooded into energy conversations the world over, together with its partner word 'datacentre'. Most conversations revolve around how to meet a massive uptick in energy demand as AI datacentres are rapidly built on a massive scale, with a requirement for 24/7/365 power and cooling. Each AI/datacentre typically needs 100–500 MW of power permanently available, and in a few large centres, 1 GW. Back-up power solutions such as diesel generators are an essential part too. There is a scramble to cover the demand surge with interest in nuclear power and small modular reactors seeing a resurgence, and solutions such as baseload geothermal in certain locations. At the same time, AI is set to change the lives of personnel throughout the energy sector; few yet know how this will actually impact their working lives or whether it means job losses, but there is a real sense that changes are coming. Having an AI personal assistant for all staff across the energy sector will become normal practice; that is definitely something to ponder over the holiday period!

Season's greetings to all my readers. Hope to see you in 2026. Feliz navidad y próspero año nuevo, Chris

About the Author

Chris writes an occasional series of topical articles on energy for ANZMEX. Between 2019 and 2024 he authored a series of 50 widely read ANZMEX 'Energy Matters' op-eds that tackled big energy issues using real-life personal experiences, and extensive research. Chris runs an award-winning advisory service, Reconnoitre Energies, offering insights to inform, shape a decision, policy & regulation, and guide the next steps for energy ventures; he is also a non-resident fellow at the Institute of Americas. Chris has worked in over 40 countries and published extensively over five decades.

Chris has an energy career of over 40 years, living in Mexico (2001–2018), Russia, Vietnam, Mongolia, China & UK. His contributions to the energy and education sectors have been recognised by the UK Government with both an MBE and CBE, and also the Aztec Eagle from the Mexican Government — the first foreigner in the energy sector to achieve this award. Chris' articles for ANZMEX reflect his experience and enthusiasm and are often also later published to a global audience in the USA, UK and Singapore. They are not paid for in any way.

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