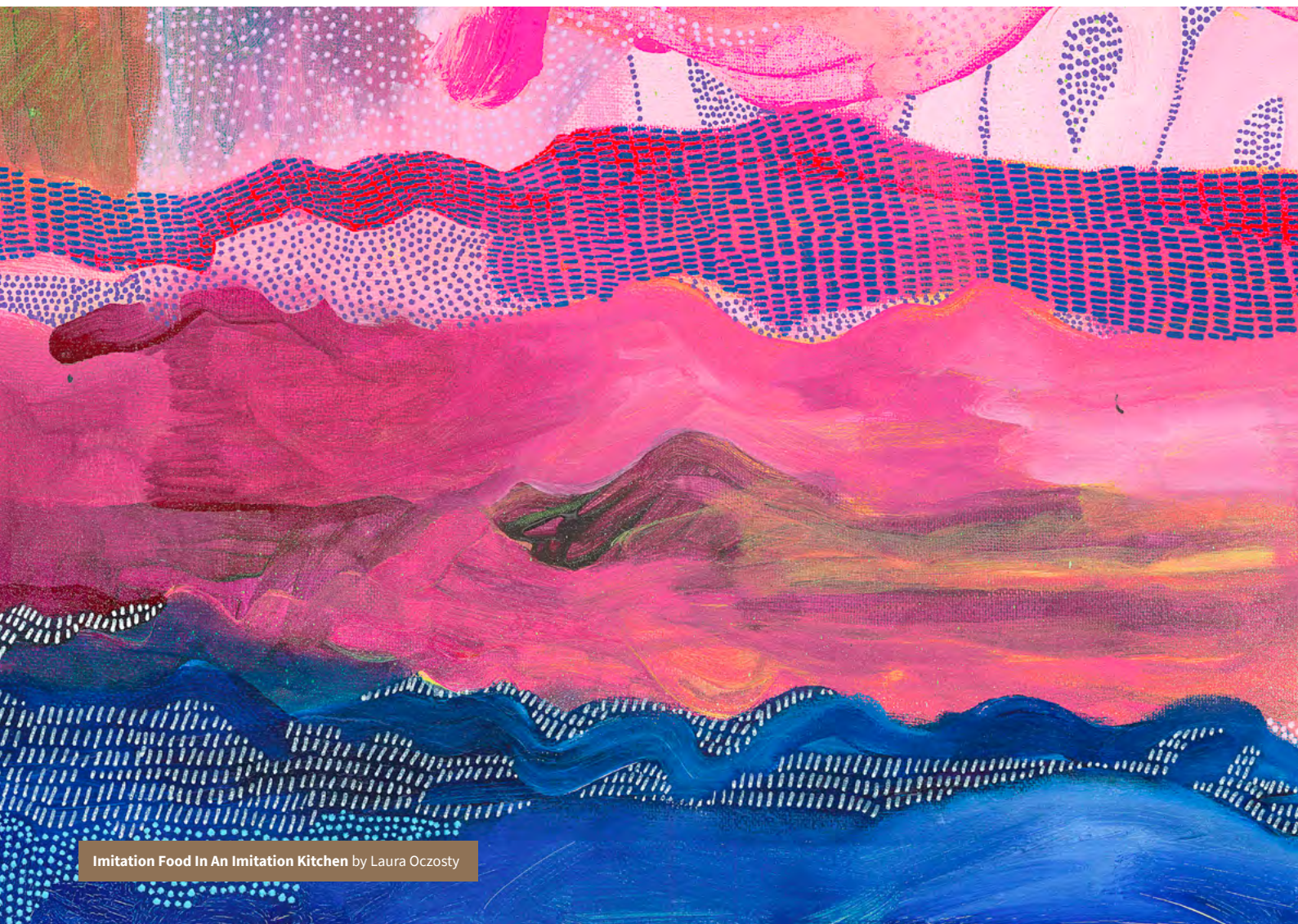


# IT'S PUBLIC

KWM M&A INSIGHTS | 2025



# DEALING IN TRANSITION: WHAT'S AHEAD FOR ENERGY M&A?

**M&A opportunities are flowing from the huge capital investment required for Australia's energy transition and the disruption caused to longstanding businesses. For dealmakers, understanding this dynamic environment is crucial. [Jonathan Grant](#), [Rod Smythe](#) and [Josh Thorneycroft](#) break down some of the forces at play, asking – what do they mean for markets and investors?**

Australia's energy market is being reshaped by the transition away from thermal energy generation to a more sustainable energy mix. There is a constant flow of new policy announcements coming from Federal and State Governments to drive system-wide outcomes and an energy market review underway. Major companies are either seeking to provide new forms of energy to meet future demand, or to re-engineer their business model if they are currently dependent on traditional forms of energy which are emissions-intensive or in short supply in the domestic market.

The energy transition brings uncertainty, but presents huge opportunities as aggregate electricity demand will increase even further. Dealmakers are now tasked with assessing the implications of this change. The challenge for investors is to understand how these structural shifts and regulatory changes impact the investment thesis for their existing holdings, and to identify opportunities to deploy capital into assets and companies which stand to benefit from this. These factors will play a critical role in shaping the future of energy M&A.



## FIVE FORCES SHAPING MARKETS

### 1 The Role of Data Centres and Large Energy Users

A notable trend is the increasing involvement of data centre operators and other large energy consumers in securing green energy supply. While some of these players ensure their energy needs are met by entering into long-term power purchase agreements, others start looking at securing their energy supply by directly investing into energy projects, particularly renewable energy projects. The capital investment needs of these companies, and associated energy requirements, are increasing exponentially to build the pipeline of AI-scale data centres which are often multiple times larger than what exists today.

Australia's data centre M&A market was particularly active in 2024 (including [KWM acting](#) on Blackstone's A\$24 billion acquisition of Airtrunk), and the ASX also attracted a high profile data centre IPO amid an otherwise quiet year for new issuances. We are active on a series of planned deals in this space in 2025, showing momentum in the sector remains strong as consumer and enterprise AI use cases proliferate.

For further analysis on interactions between data centres and the energy sector, please see our ongoing series – [Part I here](#), and [Part II here](#). KWM has also published a comprehensive [APAC Data Centre Regulatory Guide](#) covering 13 jurisdictions.

### 2 Storage Solutions

One of the most striking trends is the rapid proliferation of battery storage solutions. These solutions are being deployed at both utility-scale (often located alongside generation assets or close to major energy users), and smaller capacities (able to be rolled out quickly and at scale, and soon to be supported by the Labor federal government's Cheaper Home Batteries Program as discussed [here](#)). An example is KWM-advised Palisade / Intera Renewables [acquiring the Limestone Coast North BESS project](#) in South Australia.

Investors are increasingly interested in the potential of storage solutions. However, the challenge is that, in particular for small batteries, the ownership of these battery storage solutions remains dispersed and often remains with individual households or local communities. As the market continues to grow, we expect new investment structures will emerge in this market allowing investments to be made beyond the manufacturing, sale and distribution of batteries, and into ongoing operations and maintenance of these batteries.

### 3 The Role of Smart Technologies

The integration of smart technologies into Australian homes will also play a role in shaping the market. The adoption of smart meters, car chargers, and demand response technologies is on the rise. These innovations will allow consumers to maximise energy efficiency and reduce their bills.

The question arises: will this technology be utilised for individual benefit, or will it serve the system as a whole? As households become more energy-efficient, the potential for collective benefits increases. This could lead to new business models that focus on collaborative energy management.

### 4 Gas as a Transition Solution

While renewables are the focus, gas will remain a significant player in the energy landscape. As coal-fired generators reach the end of their life cycles, gas is seen as a necessary bridge fuel. This investment may not involve large-scale new builds, instead focussing on infrastructure development like pipelines and storage solutions. Examples of the opportunity identified in this space are the announced A\$36.4 billion bid by foreign private capital players for ASX-listed Santos, and private capital sponsor Stonepeak's acquisition of a 75% interest in fuel distribution leader IOR Group ([advised by KWM](#)).

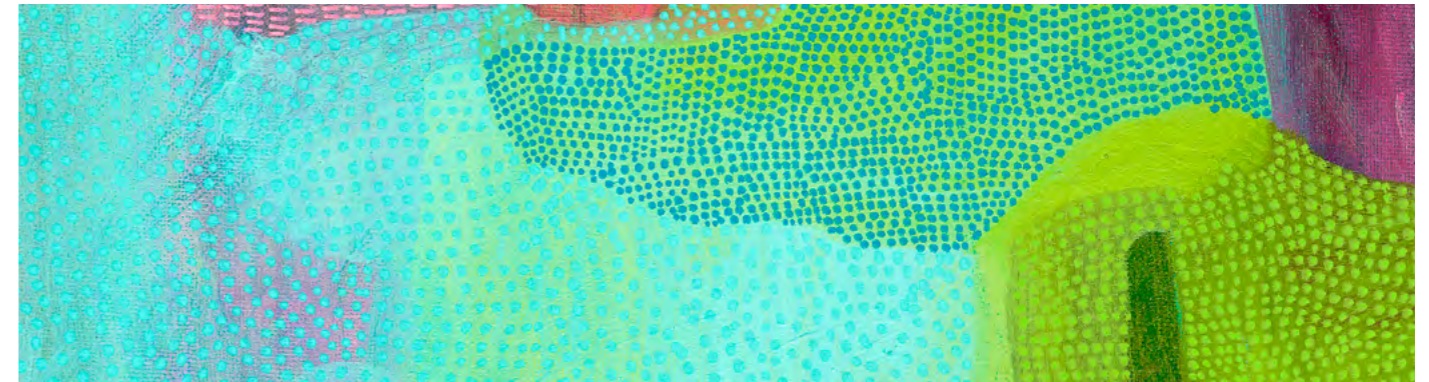
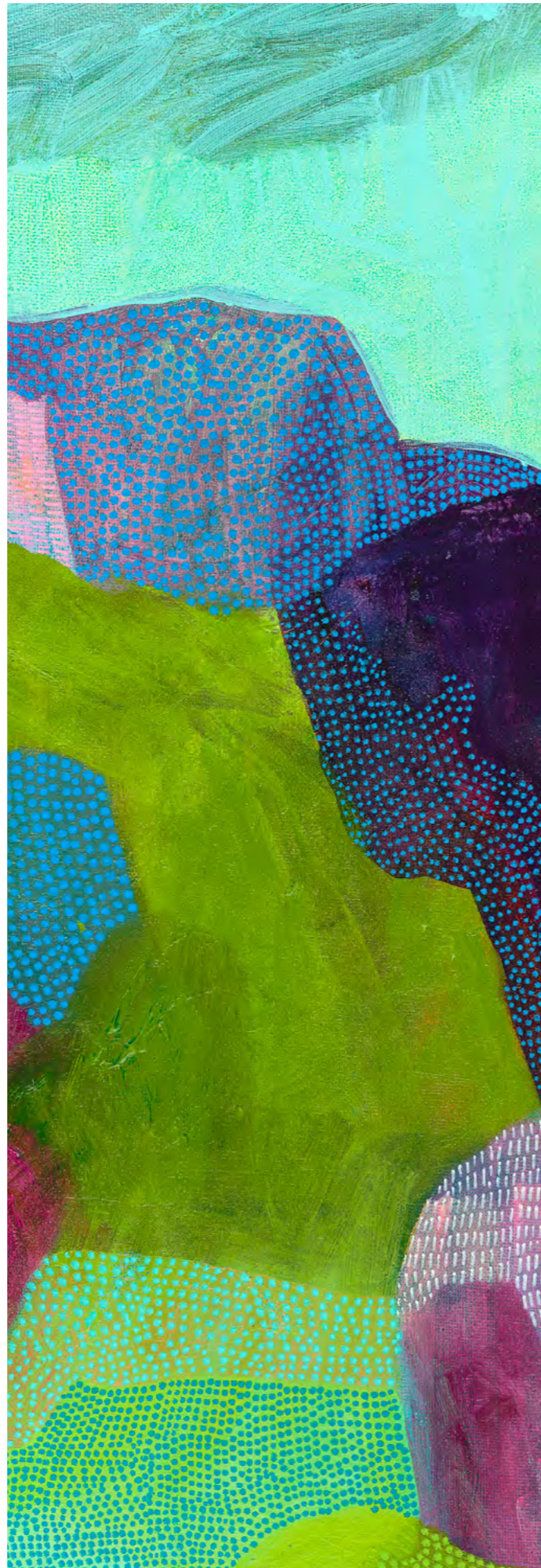
Investors should be aware of the evolving nature of gas in the energy mix. Opportunities will arise in the upstream development of gas projects, especially for those willing to engage in capital deployment in this sector.

### 5 Navigating Regulatory Challenges

The re-election of the Albanese Labor Government has been seen to provide welcome certainty on the policy direction for decarbonisation. You can read our thinking on that in greater detail [here](#).

While the market is ripe with opportunities, regulatory and policy changes can create uncertainty. The size and scale of investments will mean many deals are subject to scrutiny from FIRB and/or the ACCC, particularly under the stringent new 2026 merger clearance system. The energy transition is unprecedented, and navigating it requires careful consideration.

Higher interest rates and inflation are additional factors affecting the market. Investors must remain vigilant about the broader economic environment and its impact on M&A opportunities.



### INVESTMENT ESSENTIAL TO SUSTAIN THIRST FOR TRANSFORMATION

AEMO's Integrated System Plan for Australia's energy system calls for an estimated A\$122 billion of annualised capital costs until 2050. This immense funding requirement means that tapping a diversified array of funding sources will be essential to fulfil the investment demands.

Renewable developers, traditional utilities, and large international energy firms continue to be active in supplying the capital to support this transition market. Institutional investors, private equity, superannuation funds and sovereign wealth funds are also stepping in. In 2025, the market has seen examples in private markets such as KKR acquiring remote off-grid power leader Zenith Energy, and an active ASX market where [Goodman Group raised A\\$4.4 billion](#) from investors to turbocharge its global data centre development ambitions, both leading players being advised by KWM.

Government support plays a role too. Both Federal and State Governments are investing in renewable projects through grants and funding. This financial backing plays an important role for parts of the market which seek to achieve scale. KWM plays an active role in this part of the market, including [work for Transgrid](#) on the market-first Central-West Orana Renewable Energy Zone PPP, and [advising AEMO Services Limited](#) on 5 rounds of the Long-Term Energy Service Agreements tender program under the NSW Electricity Infrastructure Roadmap.

In the past, private capital was hesitant to invest in projects before they were ready for construction. However, this sentiment is shifting. Investors are now willing to engage with earlier-stage projects, recognising the potential for growth. This trend opens doors for new types of joint ventures, partnerships and acquisitions.

The transition to renewables offers a wealth of M&A opportunities for investors able to navigate regulatory challenges and economic uncertainties, as the interplay between traditional and renewable energy sources continues to shift.

A focus on innovation, proactive engagement and strategic planning will be critical. The energy transition is a significant opportunity for those ready to invest in Australia's sustainable future.





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