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Paul Wells

Whitecap-Veren Deal Aside, 2025 Not Expected To Be A Banner Year For Canadian Oil And Gas M&A

That said, analyst says there could be a 'bit of an arms race in terms of the top-tier companies getting bigger and bigger'

Even with the recent **Whitecap Resources Inc.** and **Veren Inc.** merger that created a company [with an enterprise value of about \\$15 billion](#), experts contacted by *DOB Energy* still think Canadian oil and gas M&A could be somewhat muted this year, given the increasing levels of uncertainty in the marketplace.

And that uncertainty is most notably caused — at least through the current corporate North American lens — by U.S. tariffs and a continued uncertain and disjointed political climate, both north and south of the 49th parallel.

"Whenever uncertainty surrounds the upstream space, it tends to breed inactivity when it comes to M&A. In past cases of highly fluctuating prices, low prices or sharply rising costs where market uncertainty was rife, the predominant M&A strategy, by far, was to hold off. Deal counts fell, even if a few opportunistic, low-cost acquisitions did occur," said **Mark Young**, senior oil and gas analyst with *Evaluate Energy*.

"I would suggest that until the true ramifications of these tariffs become clearer, M&A activity will likely be scarce and deal counts will fall."

"That isn't to say deals will not happen — there have only been three larger upstream deals in Canada since 2010 than Whitecap's C\$15 billion merger with Veren [announced recently]. But past trends suggest overall activity levels will fall the longer the uncertainty continues."

While many headlines called the deal a \$15 billion transaction, **Ben Rye**, vice-president of **Sayer Energy Advisors**, explained that's not entirely accurate. At least from Sayer's view and the way the firm calculates the value of deals.

"With this deal we would expect to see the enterprise value of M&A transactions this year to be similar to last year, which was \$20.4 billion. The \$15 billion quoted by Whitecap and Veren is the value of the combined entities. We would treat this as an acquisition of Veren by Whitecap and for our stats we would only be valuing Veren," Rye said.

The all-stock deal saw Veren shareholders receive 1.05 Whitecap share for each Veren share they held.

While the Whitecap-Veren deal was unexpected by many Canadian oil and gas analysts, upon reflection **Greg Saksida**, principal with **INFOR Financial Group Inc.**, said it makes sense on many levels.

"I think over time it's going to be a very good deal for both Whitecap and Veren shareholders. Grant [Whitecap CEO **Grant Fagerheim**] has shown an aptitude for acquisition over the years. And I think there's a great strategic fit between the two companies," he said.

"And I also think it's part of what we're probably seeing — a bit of an arms race in terms of the top-tier companies getting bigger and bigger. That includes **Tourmaline [Oil Corp.]** and CNRL [**Canadian Natural Resources Limited**] with what they're doing," Saksida added.

"To stay relevant, I think, there's a constant push to do good and accretive acquisitions and enhance asset bases and lower costs."

Saksida said he and his firm were not overly surprised with the Whitecap-Veren merger announcement.

"I think this is one that's been kicking around, or at least talked about, for awhile. So I don't think it was a big surprise. I think maybe the timing is a little bit of a surprise just given everything that's been going on both north and south of the border."

Pre-deal thoughts

Aside from North American market issues — again, tariffs, Canadian political uncertainty — add in numerous global factors, which include the Russia/Ukraine conflict, **OPEC+** and that group's go-forward plans, sanctions on Iran and concerns regarding the Chinese economy, and "uncertainty" is the operative word in the oil and gas sector at the moment.

And that extends to deal making, experts contacted by *DOB Energy* said, in interviews conducted prior to the Whitecap/Veren announcement.

That deal aside, Rye expects fairly subdued year-over-year Canadian oil and gas M&A activity in the current environment.

In Sayer's recent 2025 Canadian oil and gas sector M&A outlook, Rye said that a "persistent theme" in previous forecasts has been "uncertainty and frothiness" in the Canadian oil and natural gas industry leading to restricted M&A activity, which the firm still expects to continue throughout 2025.

"This unease has been caused by a number of factors including: the continued political issues both in Canada and internationally, the recent threat of tariffs to be imposed by the new U.S. government and the effect it will have on commodity prices, as well as continuous environmental issues," he said.

In its late January outlook, Sayer predicted M&A activity in 2025 to be lower than what was witnessed in 2024 (again, pre-the Whitecap-Veren transaction).

"We forecast in the plus-minus \$15 billion range. We expect to see corporate deals account for a higher percentage of the transaction value than it has for the last several years," Rye said in the outlook.

According to Sayer, in 2024 the total value of M&A activity in the Canadian oilpatch, given the metrics the firm uses, was approximately \$19.4 billion. That was up significantly from the \$16.5 billion in 2023.

"There were four deals in 2024 valued at over \$1 billion, which made up \$14.5 billion, or approximately 75 per cent of the total transaction value for the year," Rye said.

The largest of those four transactions was Canadian Natural acquiring assets from **Chevron Canada Limited** for \$8.8 billion, a transaction Rye said “bulked-up 2024’s overall Canadian M&A total. The other multibillion-dollar asset deal announced last year was **Ovintiv Inc.**’s acquisition of assets from **Paramount Resources Ltd.** for approximately \$3.3 billion.

During his company’s recent year-end 2024 results conference call, CNRL’s president **Scott Stauth** was asked if U.S. tariffs might impact the company’s approach to M&A. He said CNRL’s mindset and strategy is unlikely to change as it continues to focus on organic growth and “select acquisitions if there’s a logical fit” within the company’s expansive portfolio.

“Good question. I think that we’re quite happy with our assets. And in terms of M&A activity, we’ll just see how things unfold. And the fluctuations in pricing as a result of all these discussions on tariffs and so forth, it’s going to take some time to sort some of that out,” he said.

“But we’re quite happy. If you look at our reserve base, we have ample opportunity to grow organically. We’ve always liked acquisitions that bring that additional value and accretive to the company. So as in the past, for the past 35 years, that’s been one of our strengths — organic growth and taking advantage of opportunistic acquisitions,” Stauth added.

“And unless there’s something that changes significantly in the environment going forward, I don’t see our strategy changing.”

Infor’s Saksida believes current uncertainty will see companies look deep as to their forward plans, including potential M&A activity. And it wouldn’t be the first time, as the Canadian energy sector has tight-roped — and adapted to — many challenges over the past decade, or so.

“I think I would say that since the middle of 2014 we’ve been dealing with some pretty uncertain times in Calgary. So, I think tariffs are just one more thing that folk have to deal with. Through COVID and low-commodity price times post-2014, I think all you really can do is run a good business plan, make sure you protect your balance sheet and strive to lower costs as much as possible,” he said.

“And I think that is what we saw with the Whitecap-Veren deal. And that’s size and the ability to access capital, which is important. And I think that transaction is reflective of that — keeping the cost curve as low as possible and providing flexibility on capital programs. All these things become more important in times of uncertainty,” Saksida added.

“So I think everyone is going to take a look at this and try to figure out how their business plan works versus their competitors and try to maximize any of the operational results as they can.”

Meanwhile, **Borden Ladner Gervais LLP** (BLG) said 2024 saw consolidation in the upstream sector, which the firm expects to continue into early 2025, as exploration and production companies “seek to acquire, rather than discover” new reserves and continue to return focus to pure petroleum-based energy portfolios in key geographic target areas.

In 2024, BLJ noted strategic acquirers continued “opportunistic consolidation” of their interests in key areas of interest.

“We note the conditions for these consolidations and major transaction in 2024 are expected to continue into 2025, although there may be renewed interest from outside of Canada. The weak Canadian dollar means that U.S.-based buyers can take advantage of the foreign exchange

discrepancy — they produce oil in U.S. dollars, but buy Canadian assets in Canadian dollars. The arbitrage opportunities are clearly very attractive,” BLJ said in its report.

That said, the firm noted that the uncertainty resulting from the post-election Trump administration tariff threats appears to have placed a [“temporary hold” on northbound transactions](#).

“However, once the dust settles, we foresee other entities, including U.S. private equity, viewing Canada as a safe and relatively inexpensive place to invest, especially given U.S. dollars/Canadian dollars foreign exchange. ‘Watch this space,’ as they say.”