Power sector M&A:

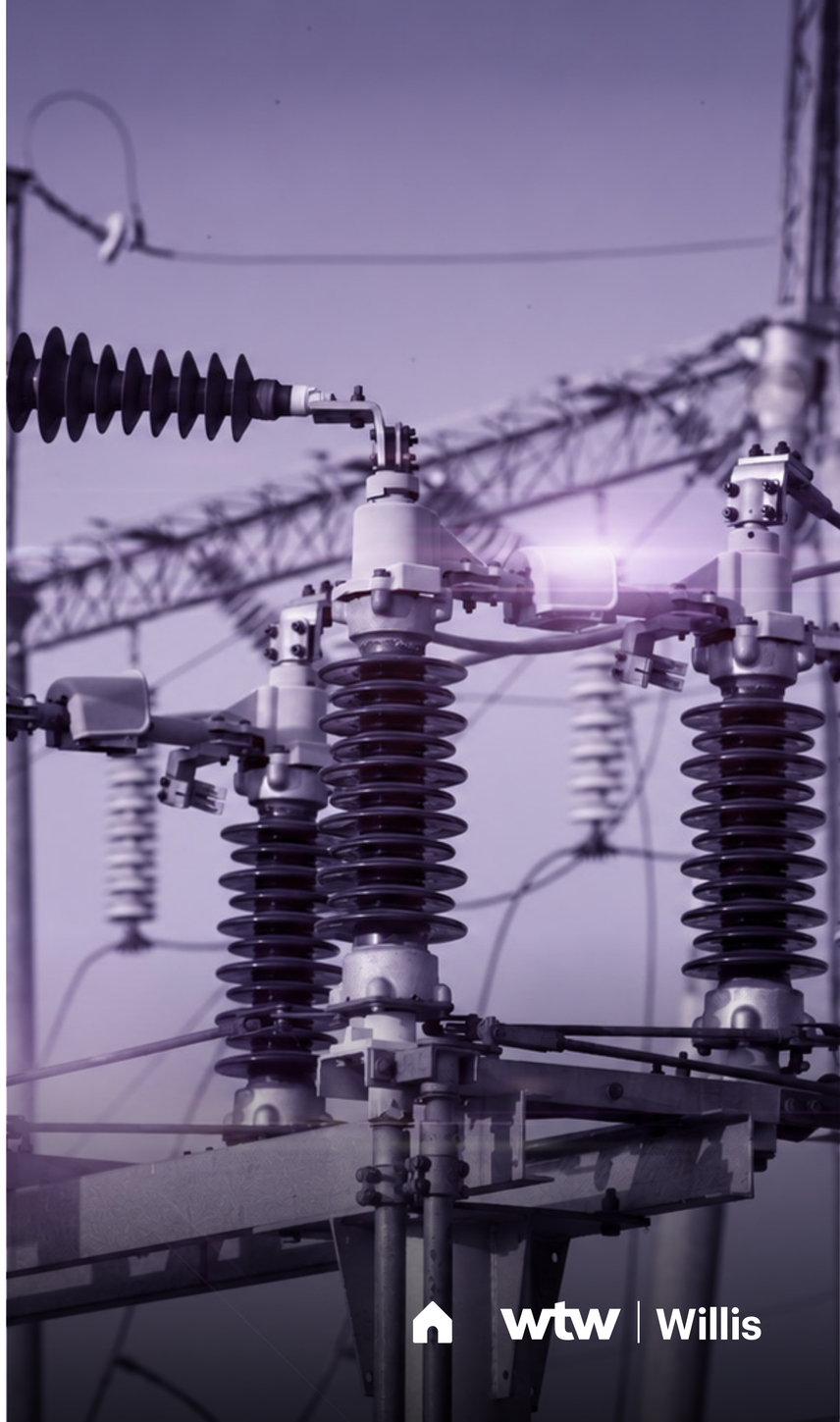
Why risk is becoming a dealmaker in a strained market

Electrification, AI-driven demand growth and grid constraints are elevating the strategic importance of power assets, even as broader merger and acquisition (M&A) activity faces headwinds from constrained private equity exits. Successful transactions will depend not only on asset quality and market timing, but on the strength of a company's risk management and insurance strategy.

Key takeaways

- Private equity exit constraints are directly impacting power sector deal flow. With assets being held for longer and fundraising harder to unlock, transaction volume may remain subdued unless exit markets improve
- Power assets are increasingly being valued as critical infrastructure. Data center growth, grid constraints and behind-the-meter generation are pushing investors to think beyond standalone generation economics
- Power companies need insurers to take portfolio views, not siloed technology views. As risks become increasingly interconnected across electrified value chains

The power and utilities sector is undergoing a shift in merger and acquisition (M&A) activity. Demand for power continues to increase exponentially, pulling capital into the sector, and technology-led growth is reshaping



the role of generation assets. But the sector remains bound by macro M&A transaction trends. Private equity companies are facing constrained exits, longer holding periods and challenging fundraising conditions. Deal ambition remains, but the route to execution is becoming more selective, more strategic and more dependent on risk quality.

This is not a simple slowdown. For power companies, trends represent a reset in how assets are valued, packaged and financed. Investors are weighing the short-term cash generation potential of existing thermal assets against the longer-term growth story around grids, electrification, data centers and future horizon technologies.

In 2027 and beyond, strategic risk management cannot be a back-end placement exercise, it will be part of how deals are structured, financed and made insurable.



Private equity is facing an exit problem

The immediate challenge for private equity is liquidity. Many funds are struggling to exit investments at expected valuations. Assets are being held for longer, capital is not being returned to limited partners (LPs) at the pace originally anticipated, and delays in releasing capital are directly impacting reinvestment. Private credit has helped bridge some of the gap, with private equity increasingly borrowing from other private lenders and equity houses rather than relying solely on banks. But private credit does not solve the core issue: without exits, capital remains tied up and new deal capacity is constrained.

This matters for the power sector. Since the private equity investment horizon is often shorter than 2050 net-zero pathways that often shape power companies' corporate strategies, the timelines diverge and drive priorities further apart. Funds may be looking for five-to-seven-year value creation and exit opportunities, while utilities and power producers are managing asset decisions against long-term decarbonization, reliability and security of supply objectives.

This asymmetry could become acute as pressures intensify, but for now, deal value is high despite deal volume remaining lower than previous years.

Two-speed transaction drivers: Short-term yield and long-term transition

Across the global power and utilities sector, corporate strategies are defining the ambitions of M&A activities. While some companies are rebranding, divesting higher-carbon exposures and investing heavily in renewables, grids and electrification platforms, others are focused on short-term revenue gains by acquiring coal or gas assets that are being offloaded by other sector players, but remain a key component of value chains in regions across the world.

Despite insurers and power companies previously pulling away, capacity for coal is still available for well-managed risks, although insurer scrutiny is likely to intensify over time and appetite will gradually wind down as assets retire, transition policies harden and portfolios shift. For buyers, the critical issue is not simply whether insurance can be secured today, but whether the risk strategy is resilient enough for the asset's remaining life.

The best insurance outcomes will depend on how clearly insurance buyers evidence risk quality, asset stewardship, transition plans, maintenance regimes, business interruption exposures and portfolio-level resilience. In a softer market, pricing competition can create opportunity to bring more controversial assets into a portfolio, but this remains strictly on a case-by-case basis, rather than a sweeping trend.

Data centers are turning power assets into infrastructure plays

One of the clearest shifts in power investment is the rise of digital infrastructure as a driver of generation demand. Artificial intelligence, cloud computing and data-intensive workloads demand available and stable power. This demand is driving competitiveness and value. In some cases, big technology companies and infrastructure investors are acquiring sites and developing behind-the-meter generation assets, not because generation is the final product, but because power availability is the gateway to digital growth.

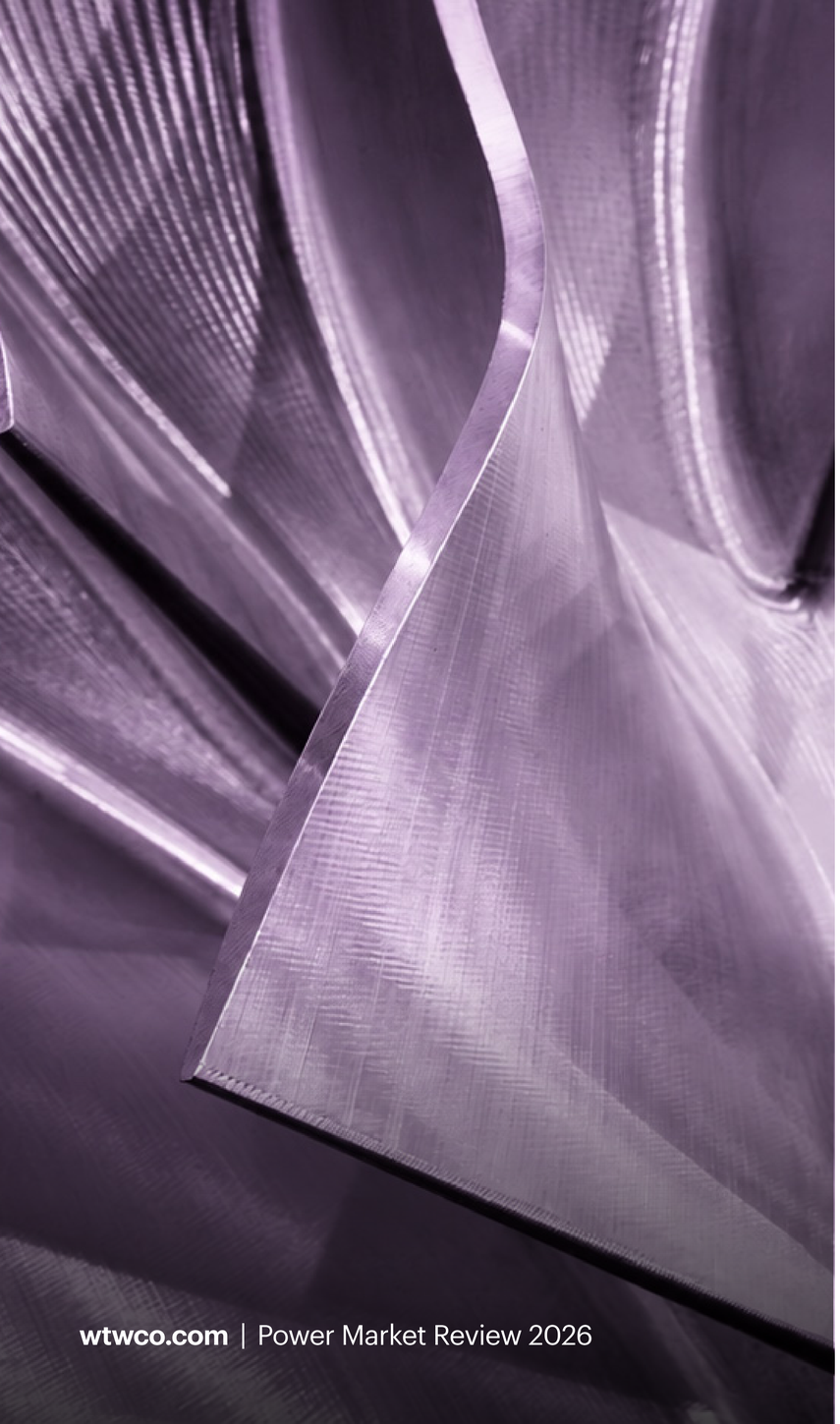
Strapped to the uptick in power generation for large-load demand, is grid stability. Investment in grid stability is a primary focus for power and utilities companies through corporate M&A, with some involvement from private equity. Renewable generation investment has increased rapidly over the last decade, but grid investment has often struggled to keep pace. Where policy support, grants or incentives are pulled back in key markets such as the United States, investors are becoming more selective about renewables projects and more focused on infrastructure that can deliver stable demand, reliability and revenue certainty.

This changes the risk conversation. Power, cooling, grid connection, cyber, climate, water, permitting, supply chain, operational uptime and business interruption are no longer separate issues. They are connected exposures across a single infrastructure ecosystem. Failures that look manageable in isolation can become material when they interrupt a data center, delay construction or undermine capacity commitments. Taking a portfolio view of risk across the entire value chain will be critical in identifying vulnerabilities.

For power and utilities companies, this will mean implementing risk controls and reducing volatility to present an attractive proposition for investment, or secure capital for growth through M&A. For insurers, this will drive data-driven decisions about cost and coverage. For investors, this will inform due diligence conversations and investment decisions based on risk profiles and long-term viability.







Innovation is accelerating, but legacy assets still matter

Power investment is not moving in one direction. Technology companies, infrastructure investors and some private equity funds are all looking for ways to improve efficiency, reliability and the carbon profile of power systems. Investment activity is increasingly targeting technologies capable of delivering step-change improvements in power generation and system performance, such as:

- Enhanced geothermal systems
- Small modular reactors (SMRs)
- Nuclear fusion power
- Advanced battery energy storage systems
- Grid modernization
- Energy efficiency technologies

Meanwhile, older and less efficient assets remain valuable where they provide stable generation capacity, particularly in markets facing grid congestion, equipment lead times or rising demand from electrification. In some cases, refurbishing or extending the life of existing thermal assets may be more bankable in the short term than waiting for newer technologies to mature, secure permits or achieve commercial scale.

For power companies, this creates a balancing act. The market is rewarding innovation, but it is also rewarding reliability. Increasingly, risk strategies are being asked to answer both: the emerging risk profile of new technologies and the operational discipline required to keep existing assets insurable.

The ask of insurance markets

To keep the M&A deal cycle turning, insurers are being called on to follow the way power companies are investing. Portfolios are no longer neatly divided into thermal, renewable, grid, storage or digital infrastructure exposures. They are increasingly integrated, and risk transfer strategies are evolving in parallel.

For insurers, moving beyond siloed technology or line-of-business approaches and taking a more strategic portfolio perspective will support growth for the power sector. Power companies are diversifying, and may own a mix of coal assets, gas generation, renewables, storage, transmission interests and behind-the-meter infrastructure serving data centers. Assessing each asset in isolation risks missing the quality of the overall risk management strategy, the diversification of revenue streams and the role of individual assets in maintaining system resilience.

Sector-specialist brokers have a critical role in driving collaboration between insurers and power companies. Sophisticated broking partnerships are already mobilizing to support M&A deals through transactional insurance, specialist engineering input, risk analytics, claims insight and market advocacy. But the strongest outcomes will come where power companies engage early, present robust underwriting information and connect the deal objectives to a credible risk and insurance strategy.

How power companies can prepare for M&A

1. **Build the risk narrative before the transaction narrative is fixed.** Insurability, business interruption, asset quality and transition strategy should be considered before valuation, financing and integration assumptions are locked in

2. **Use data and engineering evidence to differentiate the portfolio.** Insurers are more likely to support complex or mixed-technology portfolios when buyers can evidence maintenance discipline, loss prevention, asset condition, supply chain resilience and credible recovery planning

3. **Challenge the insurance market to respond to the whole portfolio.** Power companies should use the current competitive market to test appetite, align strategic carrier partners and explore structures that recognize diversification rather than penalizing complexity

Bottom line: Deal resilience will depend on a robust risk strategy

Deal volume may remain constrained by private equity exit challenges. But the strategic value of power assets is rising as electrification, data centers, grid constraints and future technologies accelerate demand. In the power sector, companies that can translate complexity into underwriting confidence will be best positioned to secure capacity, protect value and move with confidence.

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