

ENERGY SECTOR

Oil, Gas, Power & Renewables Investment Thesis and U.S. Equity Recommendations

Global & U.S. Coverage | July 2026

Prepared for institutional distribution and management review. Not individualized investment advice.

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A Structural Overweight, Not Just a Geopolitical Trade

Energy remains investable through 2026 - 2028 on three converging global demand pillars reinforced by record U.S. supply even as oil trades a wide near-term range

XLE is up ~32-34% YTD (vs. ~9% for the S&P 500), driven by the U.S.-Iran conflict and Strait of Hormuz disruption. Our Overweight call rests on structural pillars that persist regardless of where the geopolitical premium settles.

AI & POWER DEMAND

3X

US data-center power demand may nearly triple by 2030 (S&P Global); Goldman sees 41→66 GW in 2026-27

LNG SUPPLY WAVE

+95

bcm/yr of new liquefaction capacity at the 2028 peak the fastest LNG build-out in history (IEA)

ENERGY CAPEX

\$3.4T

Global 2026 energy investment, +5% y/y; clean energy capex now ~2x fossil fuel capex (IEA)

U.S. RECORD SUPPLY

13.8

mmbpd crude & 111.3 Bcf/d gas a durable, low-cost advantage anchoring the base case

OIL MARKET

Range-bound

2026 demand contracts ~1.1 mb/d on disruption; IEA sees a 2027 global supply surplus

SECTOR CALL

Overweight

Favor gas/LNG infrastructure and power-linked names over pure-play upstream oil beta

Sub-sector tilt: Overweight midstream/LNG, gas-weighted E&P, and power/grid; Neutral integrated majors; Underweight pure oil-weighted E&P and refining.

The Bull Case Rests on Three Structural Pillars

Power demand, gas/LNG supply growth, and record capex converge into a multi-year energy up-cycle

01

AI-DRIVEN POWER DEMAND

US data-center load could triple by 2030, ending 15 years of flat power demand and pulling gas, nuclear and grid capex higher. Record 86 GW of 2026E U.S. capacity additions are planned.

02

THE LNG SUPPLY WAVE

Global liquefaction capacity grows fastest on record through 2028, led by the US Gulf Coast re-rating gas infrastructure and E&P gas plays. U.S. export capacity expands from 18.3 toward ~30 Bcf/d by 2030.

03

RECORD ENERGY CAPEX

\$3.4tn of 2026 global energy investment grid, gas and power infrastructure capture the largest and fastest-growing share, with clean energy capex now ~2x fossil fuels.

Net view: *Near-term oil-price volatility is a trading risk, not a thesis risk the structural drivers sit in gas, power and infrastructure.*

Sources: S&P Global 451 Research; Goldman Sachs Research (May 2026); IEA Global LNG Capacity Tracker; IEA World Energy Investment 2026.

01

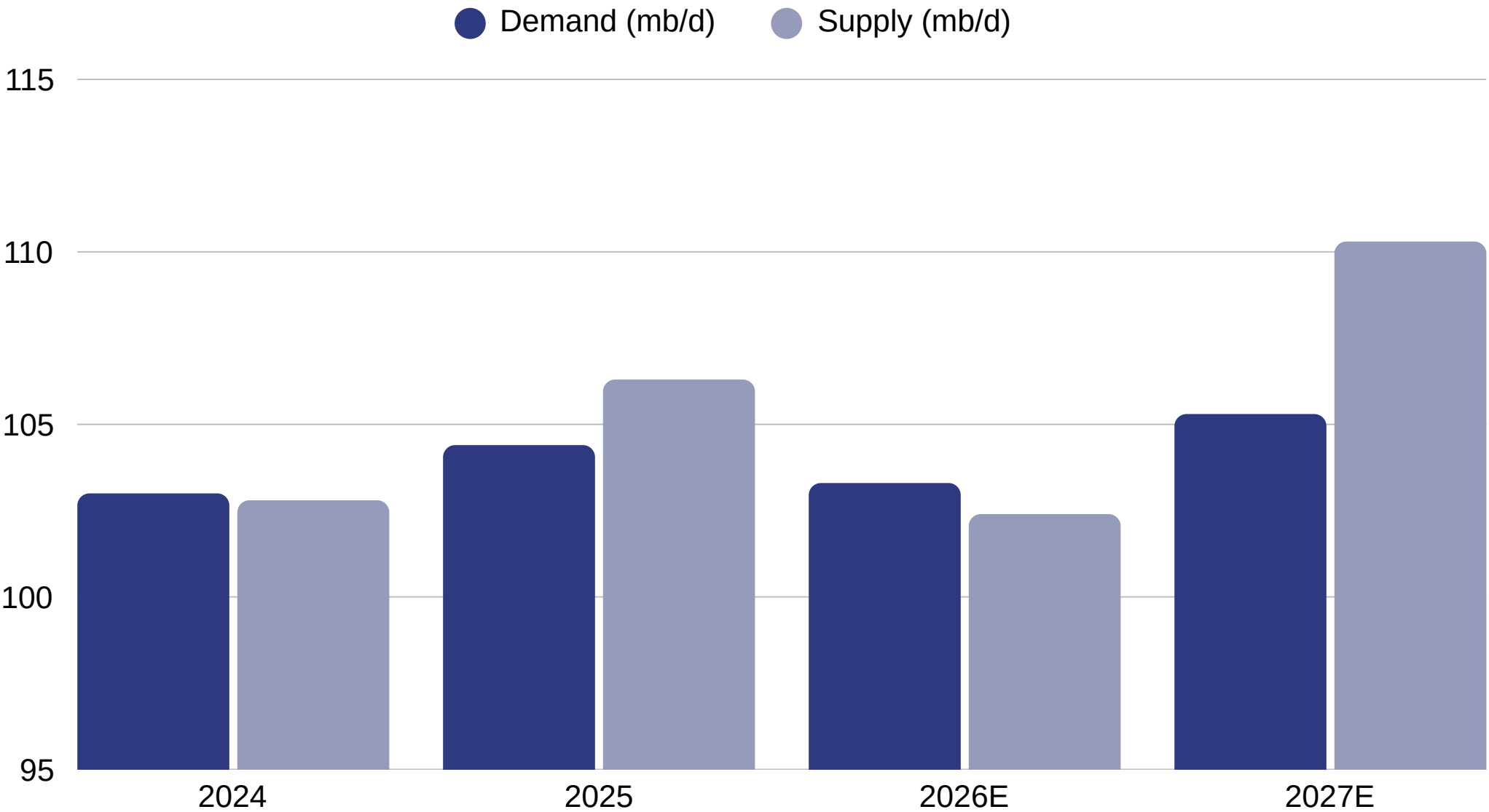
SECTION 1

Demand Fundamentals

Oil, gas and power three demand stories moving in different directions, with U.S. supply as the common thread

Oil Demand Dips in 2026, but Rebounds Into an Oversupplied 2027

Geopolitical disruption cuts 2026 demand; IEA sees supply swinging to a large 2027 surplus



2026 demand contracts

~1.1 mb/d y/y as the Mid-East conflict disrupts product flows and high prices curb use

2027 rebound + surplus

Demand grows ~2 mb/d while supply surges ~8 mb/d as Gulf output and OPEC+ targets recover

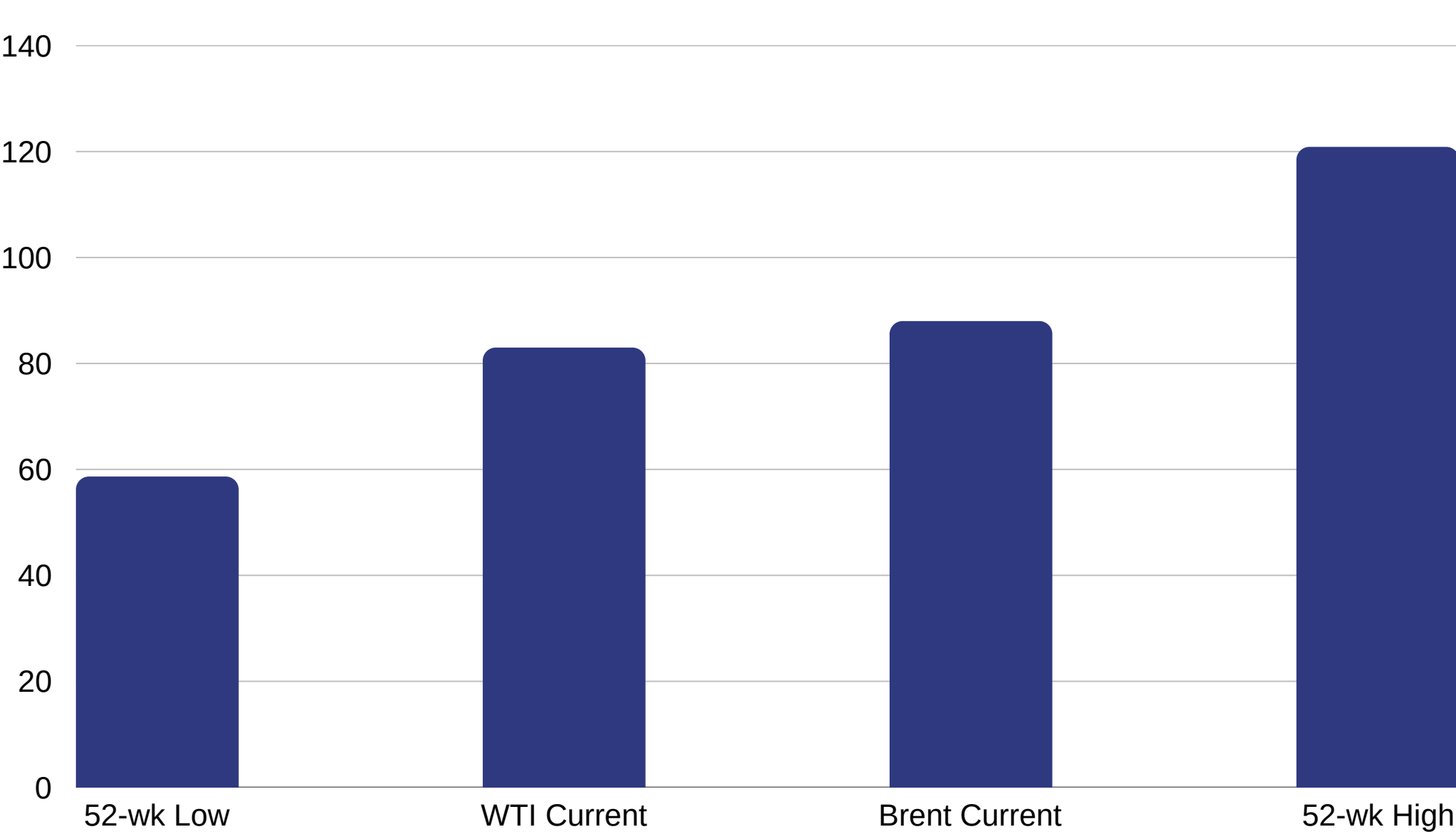
Investor read-through

Expect a soft 2026 oil tape; upstream oil-price beta is a trade, not the core thesis

Source: IEA Oil Market Report (Jul 2026); EIA Short-Term Energy Outlook (Jul 2026). 2026-2027 figures are forecasts.

Geopolitics Dominates, but U.S. Supply Fundamentals Anchor the Base Case

Record domestic production provides a durable low-cost cushion against the Hormuz risk premium



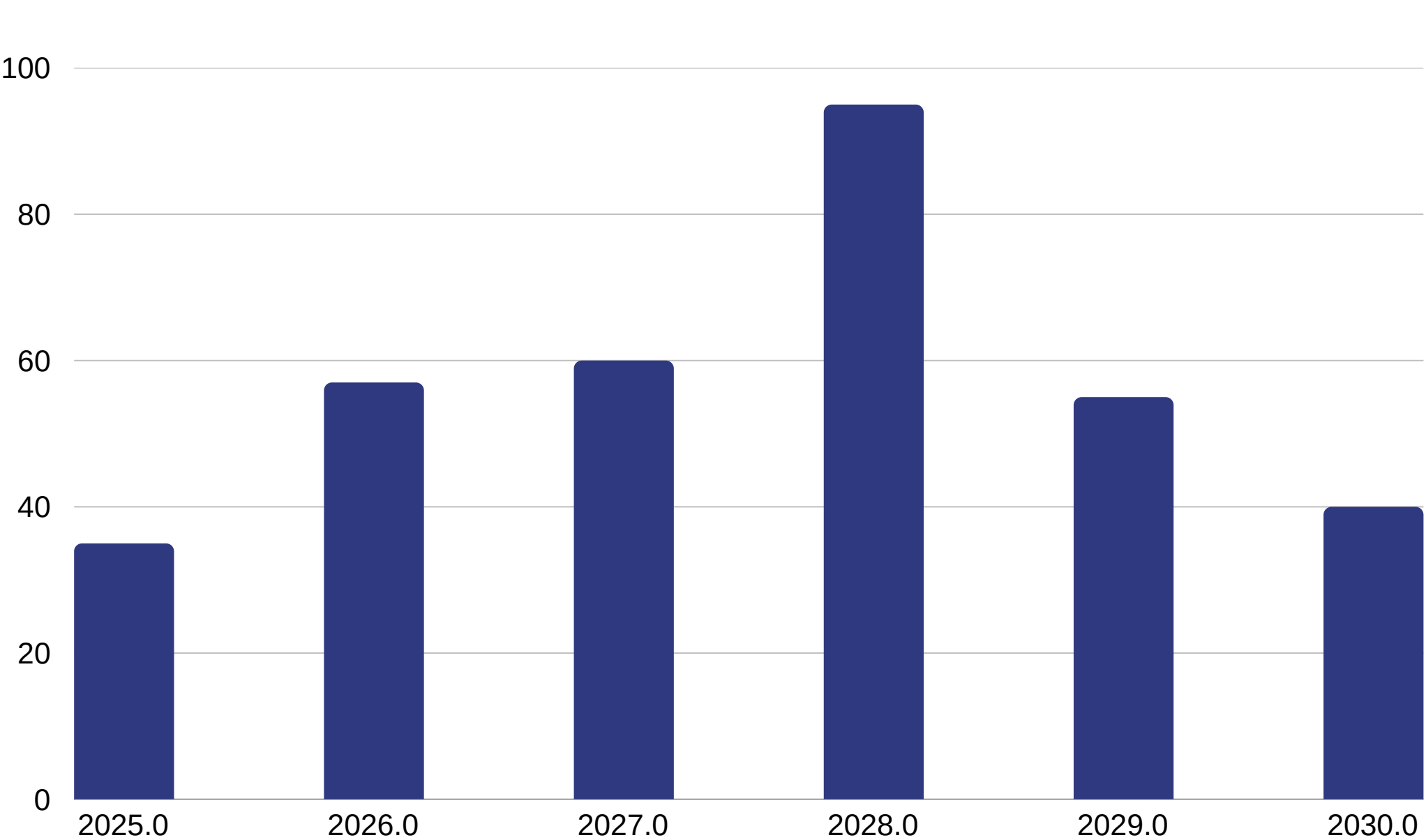
- WTI ~\$82-84/bbl, Brent ~\$88/bbl (Jul 20, 2026)
- U.S.-Iran conflict since Feb 28, 2026 disrupting Hormuz
- U.S. crude production: record 13.6-13.8 mmbpd
- OPEC+ quota hikes largely symbolic amid Hormuz closure

BASE CASE

WTI trading range of \$70-95/bbl over the next two quarters, contingent on the Iran conflict's trajectory not a directional call on further escalation.

The LNG Market Enters Its Largest Build-Out in History

Well-behaved U.S. prices belie a structural demand shift as the global liquefaction wave peaks in 2028



Henry Hub

\$3.15-3.35/MMBtu recent range; EIA 2026 forecast avg \$3.67/MMBtu

U.S. gas production

Record 107.7 → 111.3 Bcf/d (2026E)

U.S. LNG exports

Record 15.1 → 17.0 Bcf/d (2026E); export capacity expands 18.3 → ~30 Bcf/d by 2030

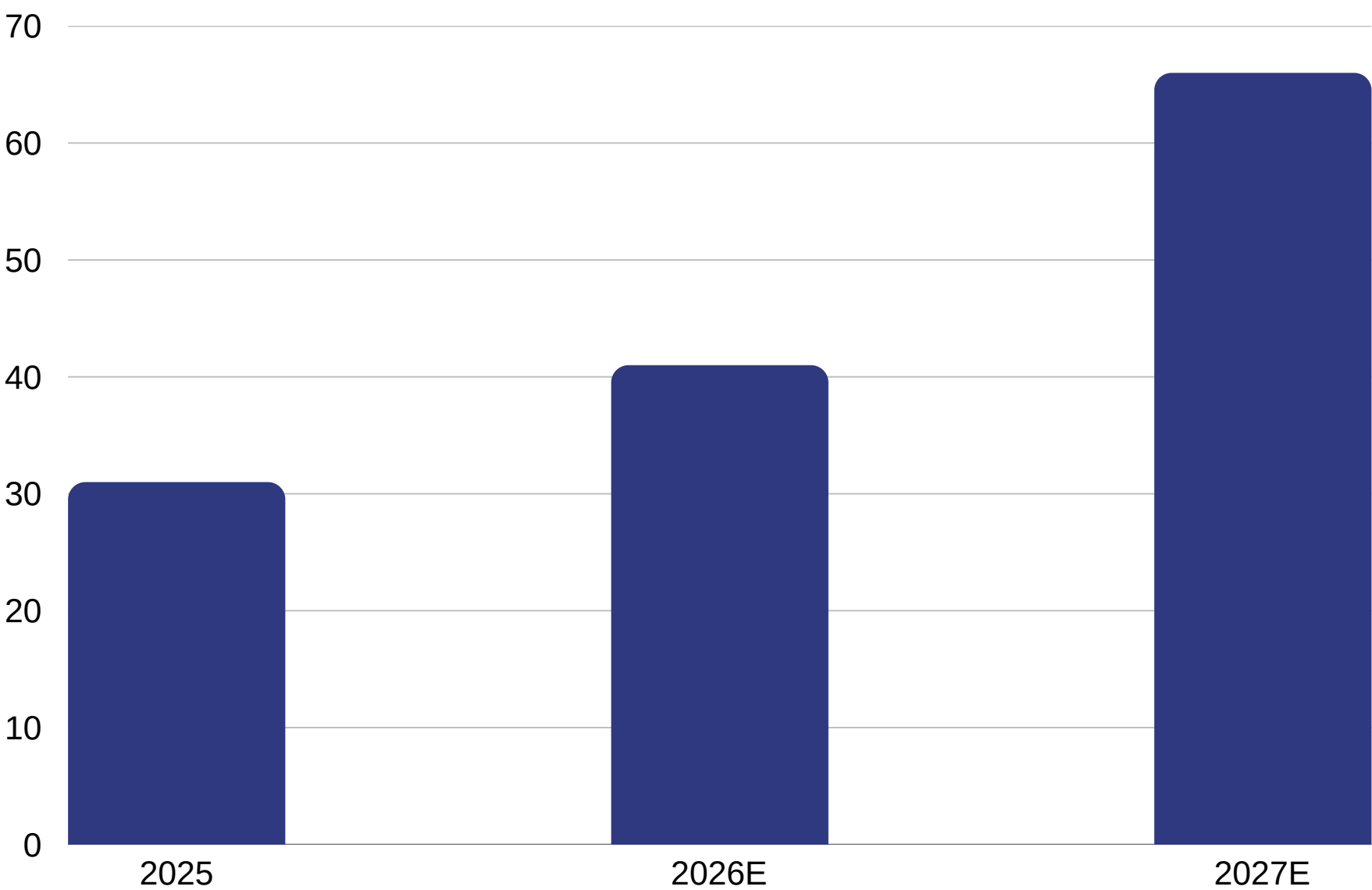
Global LNG exports

Grow from ~428 Mt (2026) to ~511 Mt by 2028

Feedgas and power burn not weather-driven demand alone are now the marginal price setters; this is the central pillar of our constructive midstream and gas-utility view.

AI Data Centers End 15 Years of Flat U.S. Power Demand

U.S. data-center power demand roughly doubles 2025-2027, lifting gas, nuclear and grid capex



Share of peak demand triples

Data centers grow from 4.1% of US peak summer power demand (2025) to 8.5% (2027E)

Capacity additions accelerate

Annual data-center capacity additions rise from 8.5 GW (2025) to 36.3 GW (2027E)

Record 2026E capacity additions

86 GW of total US capacity planned; gas-fired & regulated utilities are prime beneficiaries

NextEra / Dominion combination

FPL data-center queue of 21 GW; ~10 GW new gas-fired capacity; all-stock deal ~\$66.8-67B

Firm, dispatchable power is the scarce resource - favoring gas-fired generation and regulated utilities with contracted backlogs over intermittent-only renewable developers.

02

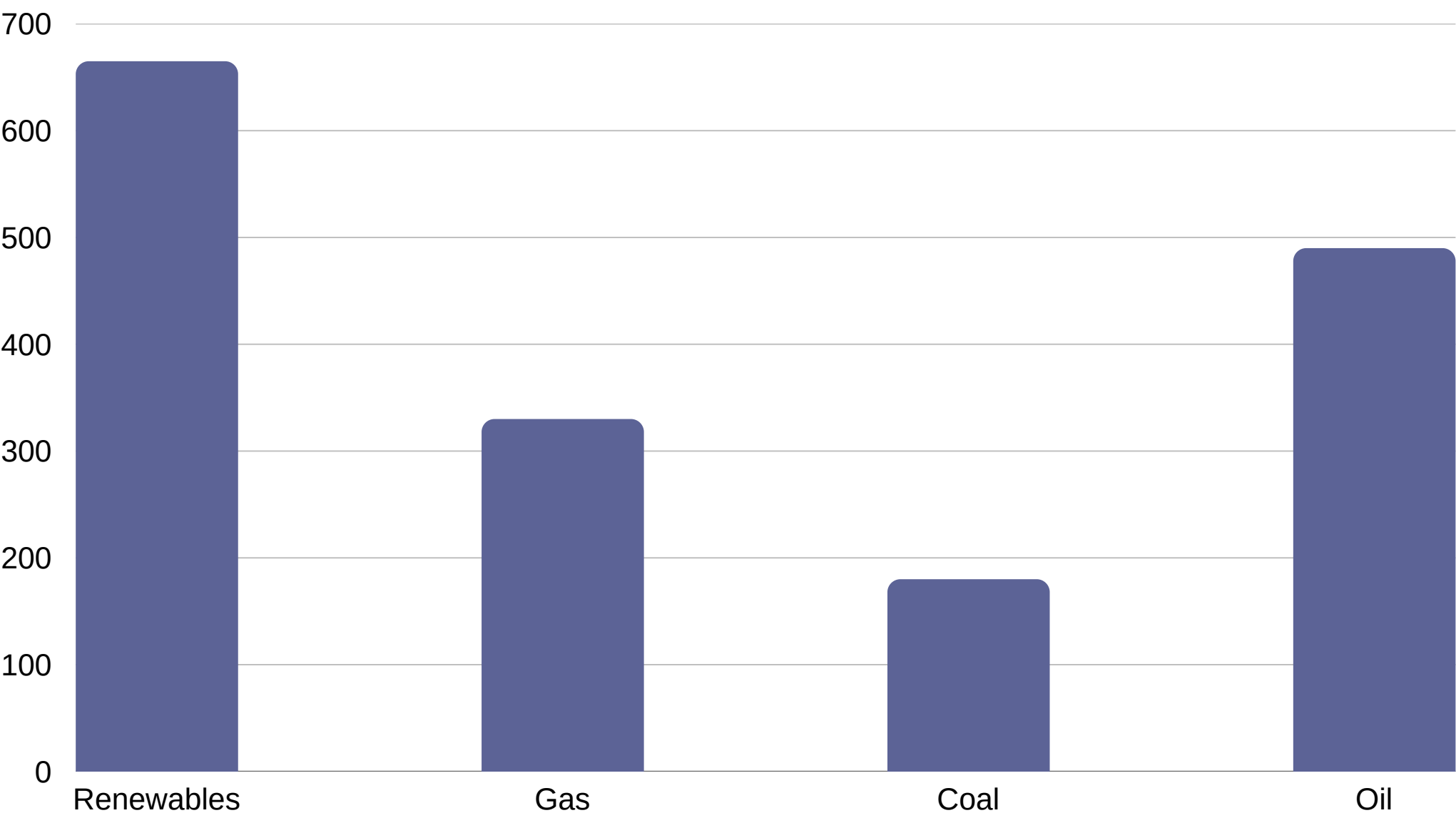
SECTION 2

Capital Flows & Sector Structure

Where the money is going, and how the energy value chain captures it

Clean Energy Capex Now Runs Nearly 2x Fossil Fuel Capex

Global energy investment reaches \$3.4tn in 2026 (+5% y/y); electricity systems take ~60% of the total



\$2.2tn into clean energy

Renewables, grids, nuclear, storage and efficiency almost double the ~\$1.2tn into fossil fuels

Gas investment rises to ~\$330bn

Supported directly by US and Qatari LNG expansion; oil capex stays below \$500bn for a 3rd year

Renewables lead at ~\$665bn

Solar alone accounts for roughly \$365bn of 2026 renewable power investment

Source: IEA World Energy Investment 2026 (28 May 2026). Oil shown as "below \$500bn" per IEA, plotted at ~\$490bn for scale.

Investment Exposure Runs Across Four Points on the Value Chain

Different stages carry different risk/return profiles infrastructure and power capture the most durable growth

UPSTREAM	MIDSTREAM	DOWNSTREAM	POWER & GRID
E&P: Oil & gas extraction	Pipelines, LNG terminals, storage	Refining & chemicals	Generation, utilities, grid capex
EXAMPLES	EXAMPLES	EXAMPLES	EXAMPLES
XOM, CVX, EOG	Enterprise Products, MPLX, Cheniere	Valero, Marathon Petroleum	NextEra Energy, grid operators
<i>Commodity-price sensitive</i>	<i>Fee-based, highest visibility</i>	<i>Margin/crack-spread driven</i>	<i>AI/data-center demand linked</i>
SELECTIVE	OVERWEIGHT	NEUTRAL	OVERWEIGHT

Preferred positioning: overweight midstream and power/grid exposure; selective upstream via low-cost, gas-weighted producers; neutral downstream.

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SECTION 3

Company Positioning

How coverage-universe names screen across valuation, yield, and growth exposure global peers and U.S. equity picks

Coverage Universe Ratings & Price Targets

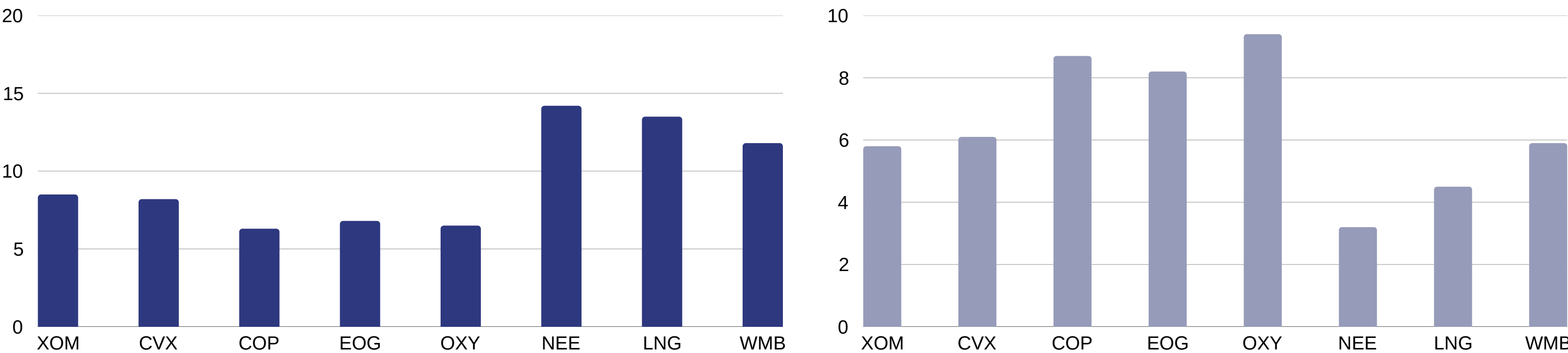
Eight U.S. names spanning integrated majors, E&P, midstream/LNG, and regulated utilities

Company	Ticker	Rating	Price	12-mo PT	Implied Upside
Exxon Mobil	XOM	Overweight	\$160	\$182	+13.8%
Chevron	CVX	Neutral	\$196	\$208	+6.1%
ConocoPhillips	COP	Overweight	\$103	\$122	+18.4%
EOG Resources	EOG	Overweight	\$135	\$156	+15.6%
Occidental Petroleum	OXY	Neutral	\$56	\$61	+8.9%
NextEra Energy	NEE	Overweight	\$97	\$112	+15.5%
Cheniere Energy	LNG	Overweight	\$259	\$295	+13.9%
Williams Companies	WMB	Overweight	\$73	\$83	+13.7%

Source: Global Research coverage universe, price targets as of July 20, 2026. For institutional distribution only.

E&P Screens Cheap; Midstream/LNG Commands a Premium for a Reason

2026E multiples across the U.S. coverage universe



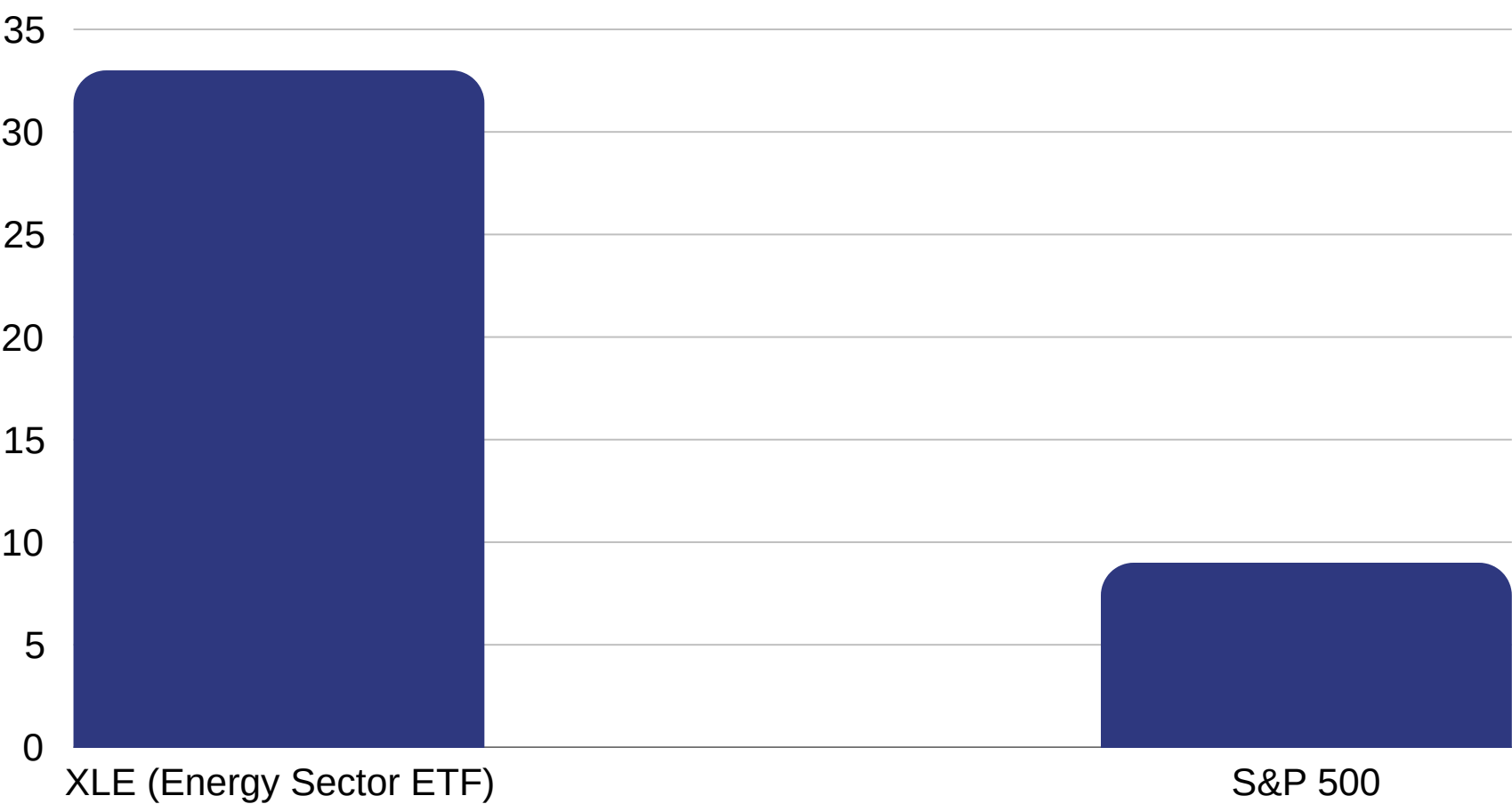
READING THE MULTIPLES

COP, EOG, and OXY trade at 6-7x EV/EBITDA and 7-9% FCF yield the cheapest in the group. NEE and LNG command 13-15x multiples, reflecting highly contracted, bond-like cash flows we view as largely warranted rather than stretched. WMB sits between the two cohorts as a hybrid fee-based/growth-capital story.

Multiples are approximate and rounded; refresh against live market data before external distribution.

XLE Is a Concentrated Bet on Two Supermajors

Passive energy exposure is far less diversified than it appears



~41%
of XLE net assets held in just XOM + CVX

~48%
of the fund concentrated in the top-3 holdings
(+COP)

Implication: we recommend tilting portfolios away from XLE's default concentration and toward midstream/LNG and select S&P names for better risk-adjusted exposure.

Majors Trade at a Premium; Midstream Screens Cheaper on Yield

Integrated majors carry scale and balance-sheet strength; midstream offers higher, fee-based yield

Company	Subsegment	Fwd P/E	Div. Yield	Signal
ExxonMobil (XOM)	Integrated Major	~16x	~2.7-3.6%	Best-in-class execution; premium valuation
Chevron (CVX)	Integrated Major	~20x	~3.7-3.8%	Higher yield; more oil-price leverage
Enterprise Products (EPD)	Midstream	~12x	~7%	Fee-based cash flow; direct LNG beneficiary
MPLX	Midstream	~11x	~8%	High yield; insulated from price swings
NextEra Energy (NEE)	Power / Utility	~22x	~2.8%	Direct AI/power-demand growth exposure
Sector median (XLE)	Diversified	~14x	~3.3%	Benchmark for comparison

Integrated majors trade at a ~30% premium to the sector median, reflecting scale and dividend track record. Midstream names screen cheapest with the highest yields, funded by fee-based, volume-driven contracts. Power/utility names carry the richest multiples, pricing in AI-driven load growth.

Sources: TIKR.com (May 2026); Morningstar (CVX, Apr 2026); Yahoo Finance/FMP; Forbes (Jul 2026). Figures approximate.

Subsegment Attractiveness: Midstream and Power Score Highest

Scoring growth exposure to the thesis against cash-flow visibility and valuation risk

Subsegment	Growth Exposure	Cash-Flow Visibility	Valuation Risk
Midstream / LNG Infrastructure	Very High	Very High	Low
Power & Grid / Utilities	Very High	High	Moderate
Gas-Weighted E&P	High	Moderate	Moderate
Integrated Majors	Moderate	High	Moderate
Oil-Weighted E&P	Below Avg	Below Avg	Elevated
Refining / Downstream	Below Avg	Below Avg	Moderate

Analyst scoring framework (1-5 scale); illustrative assessment for discussion purposes, not a formal quantitative model.

Preferred Positioning: Overweight Gas, LNG and Power Infrastructure

Six subsegments capture the structural pillars with the most favorable risk/reward

LNG / MIDSTREAM OVERWEIGHT Direct beneficiary of the 2026-2028 LNG capacity wave; fee-based cash flow	POWER & GRID OVERWEIGHT Least-priced-in exposure to AI/data-center demand growth	GAS-WEIGHTED E&P OVERWEIGHT Feedgas demand supports gas-focused producers with lower oil-price beta
INTEGRATED MAJORS NEUTRAL Quality and dividends intact, but valuation premium limits near-term upside	OIL-WEIGHTED E&P UNDERWEIGHT Most exposed to the 2026 demand contraction and 2027 supply surplus	REFINING UNDERWEIGHT Margin-dependent with limited linkage to the structural demand pillars

Illustrative sector-allocation framework for discussion; not individualized investment advice.

Top Picks

Five names offering the clearest risk-adjusted expression of the structural thesis

LNG	WMB	NEE	COP	XOM
Cheniere Energy	Williams Companies	NextEra Energy	ConocoPhillips	Exxon Mobil
12-MO PRICE TARGET	12-MO PRICE TARGET	12-MO PRICE TARGET	12-MO PRICE TARGET	12-MO PRICE TARGET
\$295	\$83	\$112	\$122	\$182
Highest-visibility contracted LNG cash flow growth	Best pure-play on LNG feedgas + gas-to-power demand	Clearest large-cap AI power-demand beneficiary	Most attractively valued large-cap E&P	Highest-quality balance sheet; Golden Pass LNG catalyst

04

SECTION 4

Catalysts, Risks & Scenarios

What could move this thesis over the next 12-24 months, in either direction

Key Catalysts Cluster Around LNG Start-Ups and Power Policy

A dense 2026-2028 catalyst calendar supports the gas and power infrastructure overweight

2H 2026	LNG START-UPS / CAPACITY	Golden Pass LNG Trains 1-2 start-up
2H 2026	LNG START-UPS / CAPACITY	Corpus Christi Stage 3 (Trains 5-7) ramps
2027	LNG START-UPS / CAPACITY	Port Arthur LNG Phase 1 & Rio Grande Trains 1-2 online
2027	POWER / AI DEMAND	US data-center power demand seen reaching ~66 GW
2027	OIL MARKET	IEA sees global oil supply surplus of ~8 mb/d
2028	LNG START-UPS / CAPACITY	Peak year for global LNG capacity additions (~95 bcm/yr)

Sources: EIA (Jul 2026); IEA LNG Capacity Tracker (Jun 2026); Goldman Sachs Research (May 2026); IEA Oil Market Report (Jul 2026).

Key Risks Span Geopolitics, Oversupply and Demand-Forecast Error

Two risks Middle East escalation and a 2027 supply surplus carry both high likelihood and high impact

Risk	Likelihood	Impact	Priority
Middle East re-escalation	High	High	Highest
2027 supply surplus deepens	High	High	Highest
Power-demand forecasts overshoot	Moderate	High	Monitor
Policy / permitting reversal	Moderate	Moderate	Monitor
LNG project delays	Moderate	Moderate	Monitor
Refining margin compression	Low	Low	Lower
Hormuz normalization pace	High	Moderate	Monitor
OPEC+ cohesion post-UAE exit	Moderate	Moderate	Monitor

Analyst risk-scoring framework; qualitative placement, not a quantitative probability model. Key risks also include durability of AI data-center capex and renewables policy (tax-credit phase-out).

Base Case Assumes Orderly Rebalancing; Bull Case Rewards Gas & Power

Three scenarios spanning oil price, LNG timing and power-demand assumptions

BEAR CASE	BASE CASE	BULL CASE
PRICE WTI \$58 / Brent <\$55 XLE 12-MO -22% SUPPLY / DEMAND 2027 surplus overshoots; LNG oversupply pressures spot prices PREFERRED TILT Rotate further into fee-based midstream and power; trim oil-weighted E&P	PRICE WTI \$78 / Brent ~\$65 XLE 12-MO +8% SUPPLY / DEMAND 2026 demand contracts ~1.1 mb/d; 2027 supply surplus of ~8 mb/d (IEA) PREFERRED TILT As outlined: overweight gas/LNG/power, neutral majors	PRICE WTI \$102 / Brent >\$75 XLE 12-MO +34% SUPPLY / DEMAND LNG start-ups proceed on schedule; power demand exceeds 66 GW by 2027 PREFERRED TILT Overweight LNG infra, power/grid, gas E&P

Base case aligns with EIA Short-Term Energy Outlook (Jul 2026) and IEA Oil Market Report (Jul 2026); bull/bear cases are illustrative sensitivities. XLE 12-mo figures reflect U.S. equity coverage-universe scenario modeling.

One Page Linking Thesis, Catalysts, Risk and Positioning

THESIS

- AI power demand triples data-center load by 2030
- LNG capacity wave peaks at ~95 bcm/yr in 2028
- Global energy capex hits \$3.4tn, clean ~2x fossil

CATALYSTS

- Golden Pass & Corpus Christi Stage 3 (2026)
- Port Arthur & Rio Grande LNG (2027)
- US data-center demand → 66 GW (2027E)

KEY RISKS

- Middle East re-escalation
- Deeper-than-expected 2027 oil surplus
- AI / power-demand forecast error

POSITIONING

- Overweight: LNG/midstream, power & grid, gas E&P
- Neutral: integrated majors
- Underweight: oil-weighted E&P, refining

THANK YOU

NEXT STEPS

Refresh company-level valuation inputs; size positions per the preferred-subsegment framework; revisit at Q3 2026 earnings and the next IEA/EIA outlook releases.

Author

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