The New Rules of M&A in Power and Utilities

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By Benjamin Vannier, Logan Besuden, Maria Enderiz, Timm Rugen, and Ben Gottesdiener

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Propelled by expanding demand from data centers and electrification, power and utilities companies in North America and Europe are being called on to do more—invest more, build more, and innovate more. And they must do all this while navigating an increasingly uncertain regulatory, economic, and geopolitical environment.

In this new reality, dealmaking—including **mergers and acquisitions**, the sale of minority stakes, and divestitures—is becoming a critical strategic lever. Over $160 billion of power and utilities deals were announced in 2025, 70% above the 2013–2024 average. And the pace is not letting up: transactions valued at $100 billion were announced in the first three months of 2026, including 12 deals of $1 billion plus. These transactions help companies address a number of goals, from building scale to accessing new sources of capital to adding critical capabilities.

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Ramping up the deal machine, however, comes with risk given the sector's mixed track record in value creation via transactions. Although divestitures have historically performed better than M&A in power and utilities, both can be challenging to get right. That's why power and utilities players must bring strict discipline to transactions, ensuring they are tightly integrated into overall corporate strategy and deliberately aligned with the evolution toward their target portfolio.

Structural Change Shakes Up Power and Utilities

Multiple factors are driving structural change throughout the power and utilities sector.

Foremost among them is a **growing appetite for power**. From 2005 to 2024, electricity demand grew by just 8% (0.4% on a compound annual basis) in the US and actually declined by 5% (a negative 0.3% CAGR) in Europe. But demand has now hit an inflection point: over the next five years alone, US electricity demand is projected to increase by about 20% (a ~3.5% CAGR) while growth in Europe is expected to reach roughly 10% (~2% CAGR).

In the US, data center build-out is the primary catalyst, accounting for over half of demand growth. In Europe, data center build-out is also a factor in rising electricity demand, but to a lesser degree than in the US. Other key drivers include electrification of transportation and industrial operations.

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The rising demand is sparking a surge in capital deployment. North American (primarily US) and European power and utilities companies are forecast to deploy $1.4 trillion and $1.1 trillion of capital, respectively, from 2026 to 2030, roughly 50% higher than the amount invested over the last five years.

The inflection point in demand is accompanied by a number of additional changes:

- **Mounting Affordability Pressure.** Since 2021, household electricity prices have risen sharply—roughly 40% in the US and 33% in Europe. Those increases, coming after years of relative stability, are putting affordability concerns front and center for both consumers and regulators.
- **Increasing Regulatory Uncertainty.** Regulatory changes are also creating additional complexity. In the US, policies related to tax credits have shifted, and technology-specific frameworks around offshore wind and coal have rapidly changed. In Europe, meanwhile, subsidies for renewables are in flux while upcoming reforms in European carbon markets have led to increased volatility in carbon pricing. And as competitiveness, security, and affordability concerns have moved to the forefront across the region, energy markets continue to evolve, including a renewed focus on the role of gas.
- **Higher Long-Term Interest Rates.** Although short-term interest rates have declined over the last few years, long-term rates are higher relative to the early 2020s—keeping financing costs elevated for capital-intensive power projects. At the same time, the macroeconomic outlook is increasingly uncertain, with recent geopolitical developments amplifying volatility in financing conditions. Together, these dynamics materially impact the economics of power projects in a sector highly sensitive to cost of capital.
- **More Frequent Extreme Weather Events.** Weather-related physical risks are intensifying. Losses from extreme weather in the US and EU have risen materially in recent years, roughly two to three times above historical averages, adding costs to an already-stressed system. For example, there has been a $1 billion-plus wildfire event in the US every year since 2015.

These changes bring with them higher degrees of strategic and financial complexity, forcing power and utilities companies to reassess their strategic positioning, capital allocation, and required capabilities.

The Deal Machine Powers Up

As the industry's risk and growth profile shifts, dealmaking has taken off. In 2025, power and utilities deals valued at $162 billion were announced—up from $82 billion in 2024—including $121 billion in North America and $41 billion in Europe. 2026 is already on pace to be a record year, with two deals each topping $20 billion. **(See Exhibit 1.)**

Since 2013, total deal value has been roughly split evenly between the US and Europe. But 2025 was different, with US deals accounting for an outsized share. Deals by US independent power producers (IPPs) in particular saw a major uptick, hitting $54 billion, a fivefold increase versus the average annual figure over the previous ten-year period. Overall, the US was the epicenter for big deals: 30 transactions valued at $1 billion or more were announced in 2025. Four of the top five deals by value involved US-based companies.

Europe saw a roughly similar number of deals in 2025 compared to North America. That activity, however, was dominated by smaller transactions—about 60% smaller on average.

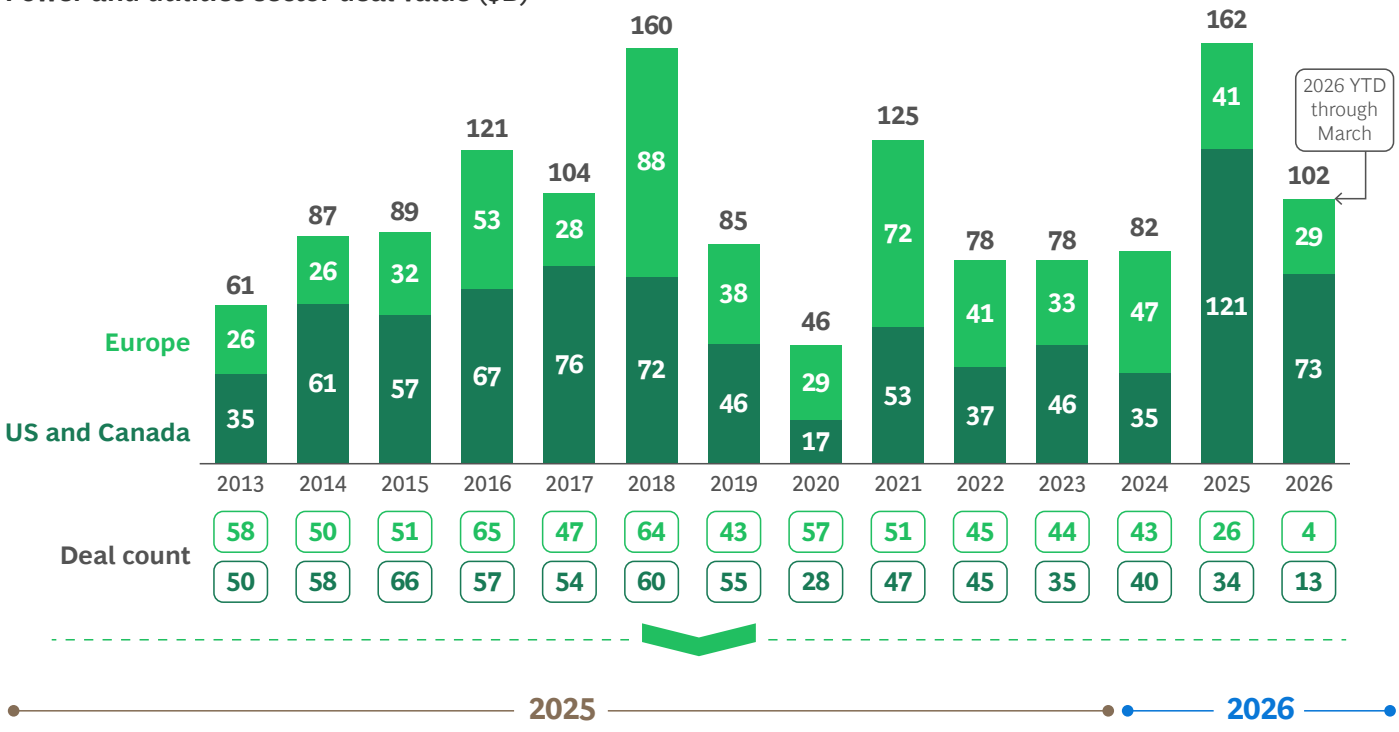
A close look at the universe of deals reveals five primary transaction archetypes:

- **Scale-Driven**. A sizeable share of recent power and utilities transactions—about $100 billion total for all of 2025 and the first three months of 2026—were aimed at building scale. IPPs sought larger platforms to position themselves for accelerating power demand and to better serve rapidly evolving customer needs, notably from data centers. Regulated utilities, meanwhile, used M&A to help reduce costs, expand their rate base and double down on electric networks portfolio exposure.

EXHIBIT 1

Power and Utilities Sector Dealmaking Has Accelerated

Power and utilities sector deal value ($B)



2025 | 2026

2025				2026
Highest annual deal value on record for US and Canada	**32** $1B+ transactions announced	**4 of 5 top deals** executed by US-based companies	**~50%** of total deal value from the five largest deals	**$102B** of M&A announced in the first 3 months of 2026

Sources: S&P Capital IQ; BCG Center for Energy Impact.
Note: 2026 data as of March 25, 2026; deals included >$100M in value.

- **Capital-Focused.** Some deals were aimed at strengthening balance sheets and expanding financing options. Regulated utilities monetized minority stakes in operating companies to raise capital, preserve balance sheet health, and fund ambitious organic investment plans. And renewables developers integrated capital recycling into their financial strategies, selling stakes in more advanced or derisked projects to free up capital for investment in more attractive opportunities.
- **Portfolio Simplification.** Divestitures aimed at sharpening portfolio focus drove this category of deals. Utilities exited non-core businesses, including gas and water operations, to focus portfolios on electric businesses. Others divested assets in non-core geographies to streamline operating footprints in priority markets. These transactions represent a deliberate shift toward simpler, more focused portfolios.
- **Capability-Focused.** Typically, smaller acquisitions, these transactions were aimed at securing critical operational or technological capabilities. Rather than pursuing scale, these deals were designed to fill capability gaps and embed new technical expertise within existing organizations. Hyperscalers, for example, have acquired power development capabilities. And renewables players have pursued deals that **improve their flexibility**, including through battery and storage capabilities that help optimize the balance between electricity supply and demand.
- **Private Capital-Driven.** Private equity and infrastructure funds emerged as a key driver of deal activity. In addition to being the counterparty to several minority stake sales and divestitures, private capital firms also executed several deals to take regulated utilities and renewable companies private.

The range of archetypes reflects the different ways companies are leveraging transactions to advance their strategies, with some transactions spanning a few archetypes.

Against this backdrop, we examined how these deals have translated into shareholder value. We took a close look at about 90 $1 billion-plus power and utilities deals, assessing the company's total shareholder return over the three years after the announcement of the deal versus the return for the industry over the same period. Among M&A deals in that universe, two-thirds of the companies that led those transactions underperformed the industry. Meanwhile, roughly 60% of the companies that made divestitures or sold minority stakes outperformed over the three-year period post-deal.[1]

The takeaway: although M&A may be harder to get right, portfolio simplification is not a guaranteed path to value either. Outcomes still depend on strategic alignment, timing, asset quality, and execution discipline. Ultimately, both M&A and divestitures play a critical role in shaping the portfolio and creating long-term value, and each requires the same level of attention, rigor, strategic clarity, and execution focus to deliver results.

Making Deals Work

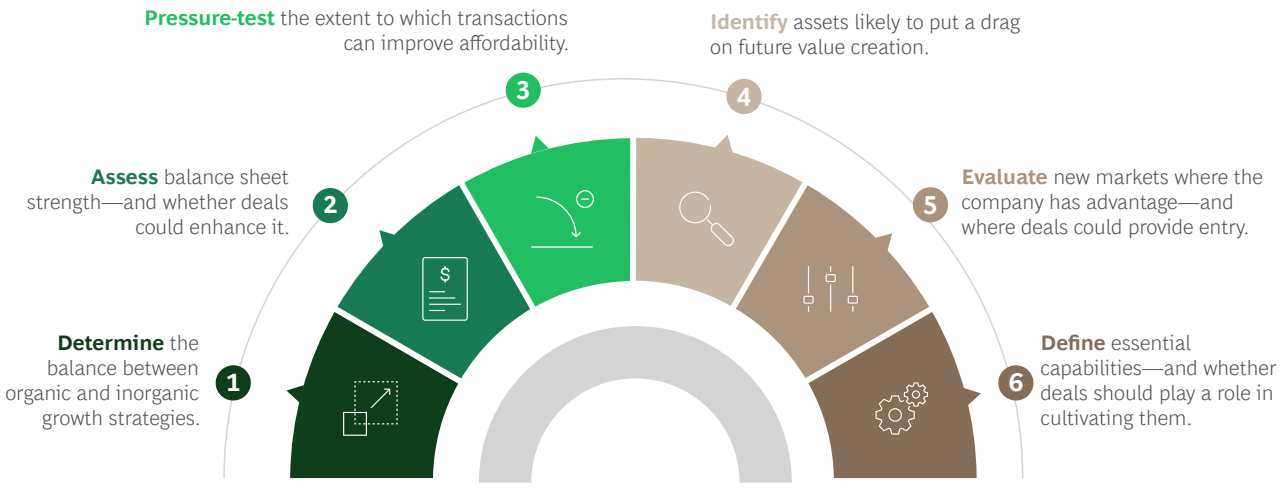
So how can power and utilities companies identify and execute on deals with the best odds of creating value? On the basis of BCG's extensive work in supporting M&A and divestitures in the sector, we have identified six rules that set power and utilities companies up for success. **(See Exhibit 2.)**

- **Determine the balance between organic and inorganic growth strategies**. Growth trajectories in the power and utilities sector are rapidly diverging. Companies with exposure to structural tailwinds such as data center–driven load growth or advantaged generation build-outs face a markedly different outlook than peers in slower-growth or constrained markets. Leadership teams must confront a critical question: Is the existing growth opportunity set enough to drive a competitive growth outlook versus peers, or is growth likely to lag in the coming years without some sort of change?

- **Assess balance sheet strength—and whether deals could enhance it.** Capital intensity is rising across the sector. But access to capital and balance sheet flexibility varies widely. Financial capacity is increasingly a strategic differentiator. Even the most compelling growth strategy cannot be executed without the ability to fund it while preserving credit quality and investor confidence. Companies must assess whether their balance sheet can support planned investments or whether alternative capital strategies are required. Minority stake sales and divestitures of non-core assets are no longer tactical levers; for many companies, they must become embedded components of long-term capital strategy. Renewable developers have long relied on "farm-down" models and capital recycling to fund expansion. Regulated utilities are adopting similar disciplines to compete at scale.

EXHIBIT 2

Six Rules to Inform Power and Utilities M&A and Divestiture Strategy



Source: BCG analysis.

[1]The transactions assessed were struck between 2013 and 2022, the most recent year for which full three-year TSR data is available.

- **Pressure-test the extent to which transactions can improve affordability.** In an environment of rising customer and regulatory pressure on affordability, M&A can be a lever to structurally lower costs, whether through scale, synergies, or portfolio reshaping. But this requires rigor and careful balancing of stakeholder interests. Companies should not assume that cost improvements will come from the target alone. Leadership teams must first test whether equivalent cost-saving steps have been fully implemented internally—and be prepared to apply the same discipline post-close to translate deal synergies into meaningful customer impact.

- **Identify assets likely to put a drag on future value creation.** In most portfolios, a small subset of assets drives a disproportionate share of value creation. Yet underperforming or strategically misaligned businesses often persist, consuming capital and management attention while diluting returns. Leading companies treat portfolio management as a continuous strategic process and not a reactive response to pressure. They systematically identify assets that are structurally challenged, subscale, or misaligned with future strategic direction, and make deliberate choices: fix, reposition, or divest. In a capital-constrained environment, every dollar tied up in an underperforming asset is a dollar unavailable for higher value creation opportunities.

- **Evaluate new markets where the company has advantage—and where deals could provide entry.** The most successful acquirers focus on assets where they have a clear structural advantage as an owner. For utilities, this may include geographically contiguous service territories or assets that enhance regulatory and operational synergies. For power generators, it may involve advantaged generation technologies, fuel access, trading platforms, or development capabilities. Proactive identification can help companies engage before a deal process starts.

- **Define essential capabilities—and whether deals should play a role in cultivating them.** Companies must assess whether they are equipped to compete in areas such as advanced analytics, **AI-enabled operations**, distributed energy integration, capital project execution, and dynamic portfolio optimization. Where gaps exist, leaders face a strategic choice: build internally, partner, or pursue capability-driven M&A.

Power and utilities companies should put these rules into action well before they begin striking deals. Doing so will help them identify the best opportunities and execute transactions with discipline.

> Competitive advantage will favor those who approach mergers, acquisitions, and divestitures with clear strategic intent and disciplined execution.

The power and utilities sector in North America and Europe has entered a fundamentally different era, one in which deal making is an increasingly important strategic lever. This shift carries important implications for capital allocation and portfolio management, requiring companies to more deliberately link transactions to critical decisions about where they compete, how they deploy capital, and how their portfolios evolve over time.

In a sector being reshaped in real time, competitive advantage will favor those who approach mergers, acquisitions, and divestitures with clear strategic intent and disciplined execution.

About the Authors

Benjamin Vannier
Managing Director and Senior Partner
Philadelphia
vannier.benjamin@bcg.com

Logan Besuden
Managing Director and Partner
Washington, DC
besuden.logan@bcg.com

Maria Enderiz
Managing Director and Partner
Madrid
enderiz.maria@bcg.com

Timm Rugen
Managing Director and Partner
Munich
rugen.timm@bcg.com

Ben Gottesdiener
Project Leader, Center for Energy Impact
New York
gottesdiener.ben@bcg.com

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