



ENERGY PROJECTS
CONFERENCE & EXPO
NA 2026

17-18 June, 2026
George R Brown Convention Center
Houston

**Energy project leaders
discuss market outlook
at EPC Show 2025**



The Energy Projects Conference (EPC) Show 2025 represented an opportunity for energy industry professionals to reflect on recent trends, offer observations and discuss the market outlook for the rest of this year and beyond. Sessions across which these topics were explored included the engineering, procurement and construction (EPC) and original equipment manufacturer (OEM) plenary panel discussions, both held on June 11.

The EPC panel brought together speakers Michael McKelvy, CEO at McDermott International; Eric Gutierrez, president of Kiewit Energy Group's oil, gas and chemical business; Andy Hemingway, Worley's executive group director of growth; Paul Marsden, Bechtel's president of energy; and Mike Alexander, Fluor's president of energy. The panel was moderated by Dan Brouillette, who served as the 15th US Secretary of Energy from 2019 to 2021 under President Donald Trump's first administration.

The OEM panel comprised Lorenzo Simonelli, chairman, president and CEO at Baker Hughes; Richard Voorberg, president of Siemens Energy North America; Dominique Llonch, chairman and CEO of Nidec Conversion; and Joe Belling, Chart Industries' chief technology officer. That panel was moderated by Robert Scott, Technip Energies' managing director for the Americas.

The discussions took place against the backdrop of the ongoing wave of energy infrastructure construction centered on the US Gulf Coast. This spans both fossil fuel projects – particularly LNG terminals, as well as petrochemical facilities – and energy transition ventures. The scale of this construction wave means that labor shortages have become a particular concern for the industry in recent years, and this was reflected during the panel discussions. The importance of close collaboration and early engagement among different stakeholders was also echoed across both panel discussions.



Trends in focus

Kicking off the EPC panel, Fluor's Alexander identified three key market trends currently affecting the energy industry and expected to continue doing so. The first was geopolitical tensions – which Alexander said were creating ripple effects through the supply chain and making project owners question whether to move forward with particular projects or not. Tariffs are just one of a number of factors weighing on new projects alongside broader supply and demand dynamics.

The second key trend was “that constant grapple” between traditional and energy transition work, Alexander continued. Again, the question of economic feasibility comes into play here. The third key trend he cited was the energy demand being created by the booming artificial intelligence (AI) industry.

“What we're seeing is a fair amount of activity in the power sector, both on the gas-fired, more traditional side of things, and then longer term in the nuclear market as well,” he said.

Brouillette commented that this would create a challenge when it came to thinking about how to allocate capital and talent across what is a “very dynamic” landscape. He then called on Hemingway to explain how Worley was positioning itself to navigate this.

“I think that the grid is going to be a key enabler for the energy transition, but also industrial decarbonization, so we see that really as absolutely core,” Hemingway said. He pointed to the rapid growth of energy demand in the US, saying that data centers account for the lion's share of this and that extensive baseload capacity will be required in order to meet that demand.

“We see investment in baseload capacity, in additional gas and then also potentially nuclear, and in terms of the opportunity for us, we see it from both sides of the fence – both the demand side and industrial users, but also the supply side and the input of that baseload,” Hemingway said. “I think that the real opportunity for the

industry is when energy and infrastructure come together and we see integrated facilities, where we've got new capacities being integrated into large industrial complexes.”

Brouillette then asked Gutierrez how Kiewit balances forecasted energy demand and required investments with the need for project delivery certainty. Kiewit's approach, Gutierrez said, is to double down on fundamentals.

“We try to look at how we evaluate the feasibility of the job – what the decisions are that need to be made during a pre-FEED and a FEED phase that allow us to evaluate what's going to be the real risk of that job, independent of the region, the market or the technology,” Gutierrez said. From there, further details can be worked out, but Gutierrez highlighted the importance of not making the mistake of taking on something beyond the contractor's competencies.



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Workforce availability

The discussion moved on to dealing with the challenges around workforce availability. McDermott's McKelvy pointed to the dangers of a company's workforce numbers not growing in line with the increase in its workload. Against this backdrop, attracting and retaining talent is essential.

"You have to be an employer of choice," McKelvy said. "To attract that craft, you have to be not only on a par with everyone else, but you've got to offer them something that is a little bit different."

There are other steps beyond bringing in and retaining workers and modularization plays a key role.

"At McDermott, we look for ways to modularize the project," McKelvy said. "In the past, we would be perhaps designing the projects in a stick fashion so we could maximize the local labor content. You don't see that today – we

want to modularize as much as we possibly can to be able to do the maximum with the expected minimum of people that we have around the project site."

The importance of investing in training centers and trade schools was also touched on.

"There's a multi-faceted approach of multiple injection points where we've got to engage to build the pipeline of people," said Bechtel's Marsden, who warned that a 45,000-50,000 shortfall in talent was being projected for the US Gulf Coast.

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Evolving contracting models

As contractors grapple with these dynamics, contracting models are evolving.

“We’ve seen across the industry companies pull back from lump sum,” said Hemingway. “I think there are a few reasons for that. One is that the premiums right now are high – people will take the risk, but they will charge for it. And the second one is probably each of us on this panel has had some painful experiences around lump sum contracting due to misalignment on successful outcomes, so we’re looking at more collaborative models.”

Worley’s approach, Hemingway said, involves early engagement with customers to identify risks as soon as possible. These early efforts to identify risks and figure out how to mitigate them are behind the rise of different models such as reimbursable contracts, “but, critically, with some level of pain/gain shared”, he added.

“That’s probably the shift away from pure lump sum to a sort of common outcome, but then with a share of the upside and a penalty if it’s

not achieved,” he said. He added that the finance community was also becoming more open to different contract models, having previously preferred the security of a lump sum price.

“We’re seeing a little bit of movement there, and I think that’s beneficial to everybody, to get these projects done at a cost that’s actually sustainable,” Hemingway said.

“I think that we’re all undergoing a transition where we cannot – for a variety of reasons – afford to bid EPC projects lump sum now,” added McKelvy. “That is the reason so many companies have failed – they bit off more than they could chew, they took on risk that they couldn’t mitigate.” However, he continued, if the contractor community is unwilling to bear the risk, then it will fall to the customer.

“We’re all taking less risk,” McKelvy said. “The financing side wants to see a little bit more cost certainty. The clients certainly didn’t factor in the ultimate, realistic cost of the projects into their performance.” This may mean some projects are

delayed, he said, and having strong relationships with customers and early integration can help avoid any surprises for project owners on the cost side.

Bechtel was one of the few contractors still willing to take on fixed-price work. Given the risks involved, Marsden sees early engagement with the supply chain and making selections during the pre-FEED and FEED stages as important in this scenario.

“You can’t blur the lines of accountability. I think that’s really, really critical,” Marsden said. “But there’s so much you can actually do with a very modest level of investment to get in help and work to make each other successful.”

This was echoed by Gutierrez, who added that responding to long-lead items and perhaps short validity periods “just puts more emphasis on the project development phase”. Similarly, the other speakers were emphatic about the importance of early engagement.

Discussing what to expect for the EPC industry, the speakers believe oil and gas projects still have a long way to go – especially as project owners continue to invest in maintaining existing production – while some energy transition projects are still a long way off. Hemingway cited sustainable aviation fuel (SAF) and biofuels projects as having a lot of potential as they can be easily integrated into existing infrastructure.



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OEM view

The OEM panel touched on a lot of similar topics from the perspective of equipment providers. Asked how OEMs help to advance energy transition efforts across LNG, petchem and hydrogen projects, Baker Hughes' Simonelli responded that their role is considerably more complicated and a lot longer from a lifecycle perspective than simply manufacturing and delivering a piece of equipment.

"If you think about our role, we're actually there trying to predict what is going to be necessary for the future evolution of the energy landscape," Simonelli said. "You look at a gas turbine, or you look at a compressor, or you look at a drill bit – what's going to be necessary from a hydrogen economy perspective, what's going to be necessary for geothermal? And as you look at the characteristics, there's a lot of complexity that comes into the metallurgy, that comes into the pressure, the temperature and we have to take all of those things into consideration from an engineering perspective to actually develop the products that are going to work."

The supply base represented by OEMs is investing a "tremendous amount" into research and development (R&D) for future technologies, Simonelli said. Chart's Belling then highlighted the large number of design considerations that need to be taken into account during this process.

"For instance, if you look at applications for LNG, one of the critical components that Chart manufactures is brazed aluminum heat exchangers and cold boxes," Belling said. "That component doesn't just immediately transfer to other types of molecules." As a result, there is a significant amount of development work involved into adapting such equipment for new applications, Belling said, and the required investment can be considerable.

OEMs also have to consider how they would go about scaling equipment for energy transition applications. Siemens' Voorberg cited clean hydrogen as an example of an industry around which a lot of hype had developed before a solid business case could be made.

"I think that goes for ammonia, hydrogen, CCUS – we've got to make sure there's a business case behind each one of these," Voorberg said. "Otherwise, we're just going to end up circling and creating a lot of hype that doesn't produce something to get us to that next level."



Navigating challenges

Among the challenges the industry is facing, there are four particularly significant ones according to Nidec's Llonch – financing, human resources, technology and supply chain. On top of this, he added, there is the geopolitical disruption that has been happening recently.

“We need to have a global supply chain strategy so we manage our supply chain globally, but then we need to diversify our suppliers,” Llonch said. “We have a local procurement team, local suppliers and we try to control all of that.” On top of this, he continued, OEMs need to collaborate with EPCs to anticipate future needs and to work closely with vendors to meet those needs.

“Globalization with localization is key,” Llonch said.

Ensuring the efficiency and productivity of OEMs also helps to navigate challenges, according to Simonelli.

“Over the course of the last 10 years, there have been leaps and bounds that have been made relative to the way in which we're able to design, engineer and manufacture our equipment, and it's driving a lot of efficiency,” Simonelli said. He attributed this in part to technological advances including digitalization, virtual reality and 3D printing. New technologies are thus not limited to the equipment itself, but also apparent in the design and manufacturing processes, he continued, making OEMs faster and more competitive while also bringing down the costs of the end molecules.

These trends are playing out across the OEM space. Llonch said Nidec had developed digital twins that are integrated into its customers' models and software for monitoring assets and optimizing utilization that are likewise embedded with customers and end-users.



Profitable path

Coming back to a recurring theme, the panel discussed the prospects of there being a profitable path for hydrogen. Simonelli cited other industries including LNG and renewables that have seen costs come down over the course of years and decades.

“Hydrogen is definitely going to be part of the energy mix in the future,” Simonelli said. “Will it take time? Yes. Was the euphoria that existed a couple of years ago overstated? Yes. But from a technology perspective, it is following exactly the same curve – if not faster – as other technologies have.”

Simonelli added that the color of the hydrogen was not important, and Voorberg echoed this, highlighting how pursuing green hydrogen alone from the outset could be counterproductive.

“We need an infrastructure built out around hydrogen to make it profitable,” Voorberg said. “And if that gets built out because of gray hydrogen or blue hydrogen, I’m more than okay with that. We can green that up as we go.”

Collaboration in the spotlight

Answering audience questions as the panel discussion wrapped up, the speakers highlighted the importance of collaboration throughout, including on risk-sharing during the contracting phase and on rolling out the electrification of projects during construction and beyond.

This comes back to the importance of early engagement, as highlighted repeatedly in the EPC panel. Whatever stage a project is in, working closely with stakeholders to anticipate requirements and collaborate on meeting them is key, and this was reflected across both discussions.

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