The Transformative Growth of Latham & Watkins' Energy Practice

A $2 Billion Powerhouse Shaped by AI and Energy Transitions

Latham & Watkins’ energy and infrastructure practice, a significant revenue engine for the firm, now accounts for over a third of its income. With revenues exceeding $2 billion, this division has undergone a strategic reorganization under the leadership of global chair Justin Stolte, who joined the firm in 2020.

Stolte, a former petroleum engineer with a degree from the Colorado School of Mines, brought his expertise in traditional energy to Latham while pushing for an all-encompassing approach to power sources. This strategy includes leveraging the potential of generative artificial intelligence (AI) to shape the future of energy.

“AI is not just a tech story; it’s equally a power story,” Stolte emphasized, highlighting the integral role of energy in supporting AI-driven innovations.

A Decade of Unprecedented Growth

Latham & Watkins, the world’s second-largest law firm by revenue, reported an impressive $5.5 billion in 2023—more than double its earnings from a decade ago. While much of this success is attributed to major deals and capital markets transactions, the growth of the energy practice has been a quiet yet powerful driver.

Under Stolte’s leadership, the energy practice’s revenue has surged by over 300%. In 2023, its revenue equaled that of an AmLaw 25 firm, bringing in at least $1.85 billion. This success is built on a dual focus: excelling in both traditional energy sectors, such as oil and gas, and embracing energy transition projects.

“We’ve leaned heavily into energy transition work while staying at the forefront of traditional energy,” Stolte said.

Expanding Talent in a Competitive Market

Over the past four years, Latham has added more than 30 partners to its global energy practice, growing its ranks to over 675 lawyers. This recruitment effort reflects the increasing demand for legal expertise in energy and infrastructure, fields that require deep industry knowledge.

“Retaining talent is crucial in this highly competitive market,” Stolte remarked. With major hubs in Houston, New York, and London, the firm’s energy teams seamlessly handle projects ranging from traditional oil and gas deals to cutting-edge renewable initiatives.

Notable transactions include advising Woodside Energy Group Ltd. in its $2.35 billion purchase of a clean ammonia project in Texas and assisting ExxonMobil in selling a stake in a low-carbon hydrogen and ammonia facility. Stolte also led a traditional energy deal for Kayne Anderson’s $2 billion acquisition of assets in Utah’s Uinta Basin.

Houston—The Epicenter of Energy Law

Houston has emerged as a fiercely competitive market for energy and infrastructure practices. According to Marcel Meijer, managing partner at legal recruiting firm CenterPeak, over 60 major law firms have opened offices in Houston since 2010, attracted by the city’s thriving energy industry. Notable entrants include Clifford Chance, which established a Houston office with 10 partners in 2022, expanding to 15 within a year.

Latham’s dominance in this space has not gone unnoticed. Stolte himself was courted by top firms such as Paul Weiss, which unsuccessfully sought to recruit him for their Houston expansion.

The AI Energy Nexus

The rapid adoption of generative AI is reshaping energy demands, particularly for data centers housing power-intensive AI processors. Electricity consumption by U.S. data centers is projected to increase by four to ten times by 2030, according to Bloomberg Intelligence.

This growth presents opportunities for Latham’s energy practice. In October, the firm advised the Canada Pension Plan Investment Board on a $15 billion joint venture with Equinix Inc. to expand hyperscale data centers. Latham has handled data center projects worldwide, including in Europe, Latin America, and Southeast Asia.

“Natural gas will play a critical role in meeting the power needs of AI-driven growth,” Stolte noted, emphasizing the necessity of blending renewable and carbon-based energy sources.

Challenges Ahead: Policy and Competition

The Inflation Reduction Act has spurred energy transition work, incentivizing green energy projects with tax credits. However, political shifts, including President-Elect Donald Trump’s criticism of the act as a “green new scam,” could impact this momentum.

Despite these uncertainties, the intersection of AI and energy continues to attract significant investment from alternative asset managers, a core client base for Latham. “This is the next wave of work,” Stolte said. “It’s just starting to play itself out.”

Looking Forward

Latham & Watkins’ energy practice stands at the forefront of a rapidly evolving industry, blending expertise in traditional and renewable energy with the burgeoning demands of AI-powered technologies. As energy transitions and AI reshape global markets, the firm’s innovative approach positions it as a leader in the legal sector’s most dynamic field.

Don’t be a silent ninja! Let us know your thoughts in the comment section below.