

January 25, 2021

Welcome to the TortoiseEcofin QuickTake podcast. Thank you for joining us as we provide timely updates on the market.

Hello, I am TortoiseEcofin Managing Director and Senior Portfolio Manager Brian Kessens with this week's QuickTake Podcast. Energy gave back some of its 2021 gains last week as the reflation trade moderately reversed. Lockdowns increasing globally and a slow vaccination rollout are the culprits for the pause in reflation sentiment. Energy also wasn't helped by President Biden's string of executive orders, though all of the energy focused orders were expected. For the week then, broad energy slipped 1.6% with midstream falling 3.1%. Crude oil prices were flat with natural gas sliding 10% following a forecast for mild weather.

On the news front, Kinder Morgan kicked off fourth quarter midstream earnings, reporting an in-line quarter. No surprise that management is focused on generating free cash flow, of which Kinder expects to have \$1.2 billion to allocate in 2021 after dividends. Management noted that it could use up to \$450 million of that for share repurchases. Expect the remainder to go toward debt paydown. Operationally for the quarter, refined product volumes on a year over year basis were down 10% for gasoline and 47% for jet fuel. No surprise there given the COVID related decline in activity. Yet diesel was higher by 7%! Diesel's strength is a good read thru that 4Q economic growth was significant. We'll look for more from Kinder on Wednesday when the company hosts their annual analyst day.

Also in the news, growth in exports continues. Energy Transfer announced that its ethane export facility at Nederland, TX is operational and that 911 thousand ethane barrels were loaded onto a Very Large Ethane Carrier and was set to sail from Nederland to China.

Last week was a big week for regulatory announcements following the inauguration of President Biden. No surprise given the President's statements on the campaign trail that he signed orders for the US to rejoin the Paris climate agreement, canceled the Keystone XL pipeline and placed a 60 day moratorium on new leases and permits to drill for oil and gas on federal lands.

Recall Keystone XL is a TC Energy pipeline project, proposed to carry crude oil from Canada into the Midwest. TC Energy had de-risked its exposure to project cancellation in that the government of Alberta was funding the capital investment until there was more certainty to the pipeline's ability to garner the required permits. The cancellation should benefit existing pipelines traversing the US-Canada border and puts greater strategic importance on the expansion projects of those pipelines. Otherwise, we'll see more crude by rail.

As far as other long-haul pipeline projects, only one major project is currently under construction. The Mountain Valley Pipeline, Equitrans' 300+ mile natural gas pipeline, is nearing completion after a series of several delays. Construction of the pipeline continues, and we expect it to be in service by the end of this year/beginning of next year.

Specifically on the 60 day moratorium on new federal leases and permits, dating back to the Democratic primary this was the expectation assuming Biden became President however we were expecting an indefinite moratorium vs 60 days. Something longer term is likely forthcoming. This impacts the growth of the 24% of US oil and 13% of US natural gas production coming from federally controlled acreage, primarily from New Mexico onshore and the Gulf of Mexico. A longer term moratorium on drilling and new leases would result in declines on federal acreage eventually. That said, producers have stockpiled several years worth of leases and drilling permits in preparation for this potential action. Longer-term, we expect more drilling centered on private lands.

Finally, Williams Companies held an ESG day, the first in the midstream sector. Management highlighted work on carbon capture, hydrogen and renewable natural gas. Through 2025, the company is targeting capex of \$3 billion focused on increasing coal-to-gas switching, emissions reductions, and solar and renewable natural gas

projects. As these are successful, pipeline infrastructure will play a strategic role in the energy transition. Williams also reiterated its commitment to be net zero by 2050. We applaud Williams' transparency and ESG initiatives.

This week earnings announcements accelerate. We'll be here to update you next week.

Thanks for listening.

Thank you for joining us. And stay tuned for our next episode. Have topics you want covered or other feedback to share? Write us at info@tortoiseecofin.com.

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