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

Hello I am Matt Sallee, Energy Portfolio Manager at TortoiseEcofin.

Wow, what a week. Over the prior weekend when I saw the news the J&J vaccine had been officially approved I figured it would be a good week for energy but little did I know that OPEC would follow up and give the market a decided shove higher. If you haven't already heard, OPEC decided to hold April production flat compared near unanimous expectations from the market for a 500 thousand barrel per day increase from OPEC plus the roll off of Saudi's 1 million bpd unilateral cut. This leaves the market significantly undersupplied through at least the next two months and most likely the rest of the year. On the other side US demand is steadily picking up and vaccinations are quickly ramping. This combined with better weather has led to a recent spike in the Dallas Fed mobility index. Bottom line the actual data plus the improved outlook accelerated the recovery with the Alerian midstream index up 8%, the S&P energy index up 10% and the Alerian MLP index up 11%. While this sounds good the AMZ would still need to add another 30% just to get back to where we started 2020.

Beyond the good macro set up, I believe energy companies not only embracing ESG but investing in clean energy opportunities is a key component of making the space more attractive to investors. I wanted to highlight some recent examples along these lines.

- First, the industry's largest lobbying group, API, commented last Monday that they support putting a price on carbon emissions
- Additionally, Enbridge a large holding in our midstream portfolio announced a green hydrogen project using renewable power to generate hydrogen to blend into its gas infrastructure as its Quebec gas utility as a substitute to methane. Enbridge aims for utility to transport 100% hydrogen by 2050
- Another large midstream holding Enterprise, hosted its first ESG dedicated analyst day Wednesday. One highlight stood out to me as it relates to UN Sustainability Goal #1 which is End Poverty. EPD is the World's largest LPG exporter; this LPG is a critical element for ending energy poverty as a substitute for wood and coal as a cooking fuel which, according to the World Health Organization, leads to 4M deaths annually because of its in-home pollution.
- Last but not least, Exxon added well known ESG activist investor, Jeff Ubben, to its Board

Exxon also held its annual investor day which had a noticeably different feel where the focus was growing shareholder value in a low carbon future, I'm glad they are finally getting on board. Beyond their base line focuses of capital discipline, returns, and dividend security the entire first section was focused on XOM's contribution to low carbon energy. The key opportunities where they see their fit in the low carbon future include:

- Pairing natural gas power generation with carbon capture and sequestration to provide dependable around the clock power without emissions
- Biofuels with the energy density similar to oil for the commercial transportation sector where battery technology is not suitable
- Providing hydrogen for industrial processes requiring extreme heat not possible from electricity
- Broadly they are working to advance carbon capture for an array of applications and are even working to develop a new material that could effectively act like a sponge sucking carbon directly out of the air. I recognize this may seem a little far-fetched but I just read an electric flying taxi company raised \$250M in an oversubscribed funding round with some very well respected investors...so I'd say anything is possible.

I was surprised to hear they've invested over \$10B in low carbon energy solutions to date and are planning an additional \$3B by 2025. Granted they are a very big company but that's kind of the point. They have the financial and human capital to generate the technological solutions required to truly decarbonize, not just slow the growth of emissions or buy credits to offset them.

Another big event last week was the return of CERAWEEK one of the industry's largest conferences. At the "gathering" the tone was the most optimistic in years. Producers are sticking with the refrain of no or very modest production growth in favor of shareholder returns and the setup is becoming increasingly bullish for commodity prices. It was also encouraging to hear

that on top of capital discipline there is an increasing acceptance of companies' need to solve for lower carbon going forward.

I mentioned EPD's ESG day but they also hosted an analyst day and the key item to highlight is the resilience of their NGL business where demand was really strong in an otherwise crazy energy market in 2020. Looking forward this is expected to be a key driver of future investment and growth for them as the plastic demand outlook is quite strong based off use in everything from medical supplies, packaging, autos, building materials and pretty much everything you use on a daily basis.

In M&A news the Noble Midstream board responded in record time to Chevron's proposed acquisition. NBLX shareholders will receive .1393 shares of CVX per common unit. While I don't disagree that this transaction makes sense I'm truly curious how the independent conflicts committee was able to form, get legal and transaction advice and conclude their decision after only receiving the unsolicited offer on February 8th. While I recognize we are limited partners, in order to ensure our clients receive fair representation I've reached out to the conflicts committee to ask this very question. Stay tuned.

I'll leave it there for now. 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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