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

Good to be with you today, I am Quinn Kiley, Managing Director and energy Portfolio Manager at Tortoise and I am happy to host this week's QuickTake Podcast. As we enter the last week of the first quarter we can look back on what has been a strong period for energy equities so far. For energy stocks in the S&P 500 performance has been particularly strong, returning over 30%. While midstream has lagged those S&P constituents, the group has more than tripled the returns of the S&P 500 year-to-date. With that high level overview, let's look at market performance for the week.

Markets were mixed:

- The Alerian MLP Index finished down -0.06%, and is up 23.1% year to date
- Other energy stocks, represented by the Energy Select Sector Index, were up 0.3% for the week
- In broader markets, the S&P 500 lost -0.8% and the ten-year treasury yields dropped five basis points to finish at 1.68%

As part of the ongoing energy transition we saw several announcements from legacy energy players last week. Industry experts tend to agree that reaching the goal of net zero carbon emissions will require significant carbon capture and sequestration. The current leaders in carbon capture are traditional energy companies. With the certainty that carbon capture will be needed and existing current capabilities, it isn't surprising that energy companies are making announcements about new carbon capture projects. Occidental Petroleum, often referred as OXY, announced a plan to offer carbon capture and storage services to NextDecade, a liquefied natural gas exporter. The partners will capture carbon dioxide emissions from NextDecade's Rio Grande LNG project and transport it to the Rio Grande Valley, where it will be permanently stored in geologic formations underground. While an innovative concept, the venture is predicated on NextDecade making a final investment decision on the LNG facility, which is expected this year. British Petroleum announced plans for a one gigawatt blue hydrogen facility in northeast England. Blue hydrogen is the production of hydrogen from natural gas paired with carbon capture and sequestration of associated emissions. The facility is in line with the UK's goal of developing a low carbon hydrogen future. Baker Hughes announced a partnership to capture, transport, and store CO₂ emissions in Norway. The partnership is the latest announcement from Baker Hughes concerning the company taking a leadership role in the energy transition. Traditionally known as an oilfield services company, Baker Hughes now refers to itself as an energy technology company. Finally, we have another example of how traditional energy companies are embracing the energy transition to a lower carbon world. In an announcement made last week the American Petroleum Institute said it would endorse a plan to put a price on carbon. The lobbyist did not suggest a specific price or a method for implementing one, but insisted that when in place such a cost must apply to the entire economy.

While we are a few weeks away from first quarter earnings announcements, we did hear a few company updates last week. Last week DCP Midstream gave an update during a conference presentation. Winter Storm Uri caused operational interruptions that will have negative impacts on first quarter earnings, however DCP maintained its full year 2021 guidance range which we view positively. The storm reduced volumes on their midstream system, driving the negative impact. Pricing improvements and cost reductions through the rest of the year will offset the storm impacts according to the company. Crestwood Equity Partners announced a transaction to dramatically improve its corporate governance. Through the transaction Crestwood is buying back the limited partner units, preferred securities, and general partner interests from First Reserve, its private equity sponsor. The deal will be financed with bank borrowings and equity raised through a private placement with institutional investors. The end result will be a net buyback of equity and a traditional publicly elected, independent board of directors once the transaction closes. Additionally, the company announced a \$175 million common and preferred unit buyback program authorized through the end of 2022.

Regular listeners to this podcast know there have been quite a few pipeline controversies in recent years, most notably Keystone XL and the Dakota Access Pipeline. Perhaps more under the radar, Enbridge owns and operates Line 3, a liquids pipeline that is part of its Mainline System. Line 3 crosses the U.S.-Canadian border in Minnesota. The governor's office in Minnesota is trying to shut down the pipeline by working against Enbridge's efforts to replace the aging pipeline with a new modern pipeline. The permits the pipeline has received to proceed are being challenged in court by the Governor. Last week the case was heard by a panel of judges and oral arguments were made on both sides; a ruling should come by June 21st of this year. The current court's decision will not be definitive, as the losing side will certainly appeal the ruling. The arguments

were technical in substance, so we won't cover them here, but we will be watching developments in this case as it moves forward. In other legal news, fourteen states have filed suit challenging the Biden administration's moratorium on new oil and gas leases on federal land. Royalties earned from oil & gas produced on federal land are shared with the states in which the well resides, and this can be a significant source of income at the state level.

With respect to commodity prices, last week saw volatility driven by some interesting fundamental developments globally. First, last week the EIA reported a second week of crude oil inventory builds in the U.S. This build is contrary to the year-to-date trend of crude oil inventories being drawn down as demand is recovering globally and supply is diminished. On its face this is a bearish data point. However, at the location where West Texas Intermediate futures contracts settle, Cushing, OK, inventories declined meaningfully and WTI prices rallied on this news. Despite this price move, WTI ended the week down about five percent on the week. Second, the Suez Canal, a major choke point for global crude oil trade, was blocked by a grounded container ship. The blockage has already delayed one week's worth of trade and it may take the better portion of this week to re-open the canal. As a point of reference, approximately twelve percent of global trade traverse the Suez Canal. More germane to this discussion, approximately four percent of waterborne crude oil and nine percent of refined products traveled through the canal in 2020 according to [Reuters](#). Shippers are weighing the choices of rerouting vessels around Africa, a two week journey, or continuing to wait for the canal to reopen on an uncertain timeline. On the natural gas front we saw an exceptionally large draw from gas in storage. As this does not appear to be weather related, we think this is yet another signal that the domestic natural gas markets are undersupplied. This should be a bullish set up for natural gas prices in the coming months.

Thanks for joining us and we will be back next week. Please stay safe.

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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