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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.

Let's jump right in with the most watched item last week, the spectacle that is Dakota Access. Last Friday was the scheduled hearing where the Army Corp was to rule whether the pipeline need to shut down while the full Environmental Impact Statement is prepared. The world was watching from Energy market participants to A-listers Leonardo DiCaprio and Mark Ruffalo but all were left wanting as the Corp punted on making a decision. I guess we'll just have to keep waiting.

Moving on, the EIA released the latest Short Term Energy Outlook where the highlight was drivers should expect the highest gasoline prices since 2018 this summer as more drivers hit the road following widespread vaccinations combined with massive fiscal stimulus. The agency expects 15% more highway travel this summer compared to last year however not all the way back to summer 2019 levels. They also project global oil inventories to decline about 330M barrels during the first half of the year before moving into balance for the second half. Last but not least global oil demand is expected to average over 101 million barrels per day in 2022, slightly eclipsing 2019. Beyond the EIA, one energy consulting firm founded at Harvard has gone so far as projecting gasoline demand will set a new record this summer.

On the flip side of the EIA oil price forecast, I'd point to a potential headwind from last week's Iran negotiations. While it's still early and Iran and the US aren't speaking directly, the meetings in Vienna made progress and the group agreed to form simultaneous working groups to focus on the 2 key issues of Iran's JCPOA violations and the 1,600 US sanctions on them. This helps address the challenge that neither country wants to move first but the two groups need to move fast as Iran's election season ramps up at the end of April which likely puts the process on hold. Not helping matters was Wednesday's attack on an Iranian Revolutionary Guard ship in the Red Sea. That said, if indeed a resolution is reached and sanctions relieved this sets the stage for up to 1.5 million bpd of Iranian crude to hit the market in relatively short order.

Shifting gears to M&A news, Sempra announced a sell down of a 20% interest in Sempra Infrastructure Partners, SIP, for $3.37B in cash to KKR. Including debt, this values the business at $25.2B or about 13x its 2021 estimated EBITDA. SIP is the combination of Sempra LNG and IEnova and its assets include:

- An LNG portfolio consisting of up to 45 million tonnes per annum (Mtpa) of LNG export capacity in operations or development.
- 4 gigawatts (GW) of renewable energy generation in operation or development in Mexico
- And a natural gas infrastructure portfolio including pipes that export U.S. natural gas to Mexico and an LNG project located there.

For me the biggest takeaway from this transaction is the public market continues to significantly discount the value of long lived energy infrastructure assets. At 13x EV to EBITDA and debt at book value the equity value of the deal is a more than 30% premium to Cheniere, the premier LNG player in the US and more than 50% over Williams who owns a few of the most desirable long haul gas pipelines in the country.

In other news now private midstream company, Buckeye Partners announced it and a partner will acquire a majority interest Swift Current Energy. Swift has commercialized more than 1.1 gigawatts (GW) of renewable projects with a pipeline of over 6 GW of solar, wind, and storage. This is quite a move into renewable generation for a refined product pipeline company with a history tracing back to J.D. Rockefellers' Standard Oil in 1886. This supports my position that midstream companies should invest in renewable and low carbon energy sources to diversify their revenue base, participate in helping the world provide a lower carbon future and generate new sources of growth. We will continue to engage with our portfolio companies to encourage behavior we believe will generate long term shareholder value.

Speaking of engagement, Jaime Dimon's Annual Letter came out; his view toward oil and gas is in-line with ours. Here's an excerpt of what he said: "When we cut through all the noise, here's what we know to be true:

- Traditional energy resources play an essential role in our global economy today. We can agree on the need to make our energy system much less carbon intensive. But abandoning companies that produce and consume these fuels is not a solution. Furthermore, it's economically counterproductive. Instead, we must work with them.

My thoughts exactly.

Last but not least, I find myself really intrigued by renewable natural gas and its potential to provide energy that is very low or even negative carbon. In this vein, Rice Acquisition Corp announced a deal combining two renewable gas companies capturing emissions from landfills and processing it into natural gas to be used to produce electricity and heat homes. What's unique about this transaction is the company actually generates positive EBITDA which is extremely rare for recent renewable or energy technology deals from SPACs. I'm assuming everyone listening knows what a SPAC is at this point but in case not I include a link at the end of the transcript so you can look it up. The bottom line is the deal was priced at 8x next year's EBITDA and 3.5x of 2024 projected so we approve and the market did too as it traded up over 50% on the news.

I'll leave it there for this 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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The **PCE inflation rate** is the Personal Consumption Expenditures Price Index. It measures price changes for household goods and services. Increases in the PCEPI warn of inflation while decreases indicate deflation.

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Producers = Tortoise North American Oil & Gas Producers Index℠
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