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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 James mentioned last week we have launched into first quarter earnings season. By most reports the economic recovery in the U.S. is in full gear. In fact, it was reported that the economy grew over six percent in the first quarter. While the vaccine roll-out is having the desired effect on the economy here, outcomes internationally have not been as robust. In fact, it was reported by Argus Media that up to five liquefied natural gas tankers intended for India were redirected last week as demand has fallen in that country. Overall the energy infrastructure company news has been strong, but this story indicates our optimistic outlook should also contain some caution. The soap opera that is new pipeline development in the U.S. continues with a few notable news bites. The Supreme Court heard oral arguments on the PennEast pipeline in New Jersey. The court is being asked to preserve the pipeline's rights to use eminent domain under the Natural Gas Act to secure the right-of-ways needed for the pipe. North Carolina once again rejected an extension of the Mountain Valley Pipeline. Finally, the Dakota Access Pipeline has announced plans to request a review of the case by the Supreme Court. With that high level overview, let's look at market performance for the week.

Markets were mixed:

- The Alerian MLP Index finished up 1.7%, and is up 30.5% year to date
- Other energy stocks, represented by the Energy Select Sector Index, were up 3.7% for the week
- In broader markets, the S&P 500 gained 0.4% and the ten-year treasury yields rose six basis points to finish at 1.63%

There were too many earnings announcements last week to cover fully in the time we have here, so we will hit several across the energy value chain to get a larger sense of what transpired during the quarter. On the integrated oil front, both Exxon and Chevron reported earnings on Friday. Upstream earnings were strong for both as higher commodity prices drove the results. Downstream earnings disappointed, but largely due to the impacts from winter storm Uri, a common theme across energy this quarter. Despite these impacts, both companies generated meaningful free cash flow. The duo also announced updates on their energy transition efforts. Exxon gave some additional detail on its existing carbon capture and sequestration efforts and future aspirations. Chevron announced a strategic alliance with Toyota to commercialize hydrogen as a transportation fuel. British Petroleum announced an intention to eliminate natural gas flaring in the Permian basin. This is an example of low hanging fruit for energy companies to reduce their greenhouse gas footprint as it merely requires well connections to midstream assets. But does require capital investments, and BP plans to spend \$1.3 billion to accomplish this goal.

In midstream earnings announcements the economic recovery is apparent as well. Production in the Bakken drove better than expected results for Oneok, Hess Midstream, and Crestwood. Oneok and Crestwood also benefited from the winter storm by delivering volumes into a tight market. This confirms a read through from Kinder Morgan's earnings which also saw a benefit from the storm. We think the next big beneficiary will be Energy Transfer (ET) when they announce earnings this week. ET has significant natural gas storage assets that likely provided them the opportunity to sell into the price spikes we saw in February. Additionally, the company had previously noted that their electricity supply is almost entirely hedged, so any price spikes there would not translate to losses for the company. Magellan Midstream announced earnings and in a positive move raised 2021 guidance by five percent. Magellan proved resilient last year and that trend continues. With projections for free cash flow after distributions in the range of \$350 million this year, market expectations for equity buy-backs may be building and would be welcome, in our view. A driver of Magellan's success has been the recovery in refined product demand in the Midwest. Last week we heard from the refiners Marathon Petroleum, Philipps 66, and PBF Energy and demand recovery has reached the coasts as well. Generally speaking, gasoline demand is just shy of pre-COVID levels, near 95%. Diesel demand is actually coming in higher than before the pandemic, but aviation fuel is still lingering near 75% of previous demand. The refiners are currently running at 85% utilization rates to meet this demand. Despite these strong data points, the impact of the winter storm Uri negatively impacted the first quarter earnings for refinery companies with Texas or Gulf Coast assets. That said, the entire group has expressed optimism for the rest of 2021.

Despite the healthy activity levels from the refiners, we saw a build in U.S. crude oil inventories last week. This number was offset by a larger than expected draw on distillate inventories, which include diesel and fuel oil. This data point seems more in line with what we are hearing from the industry. On the natural gas front we saw a smaller than normal injection into storage

in the U.S. The set for natural gas appears bullish to as U.S. inventories are below five year average levels and European inventories remain low after a cold winter.

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](mailto:info@tortoiseecofin.com).**

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The **Alerian Midstream Energy Index<sup>®</sup>** is a broad-based composite of North American energy infrastructure. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX).

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.

**Broad Energy = The S&P Energy Select Sector<sup>®</sup> Index** is a capitalization-weighted index of S&P 500<sup>®</sup> Index companies in the energy sector involved in the development or production of energy products.

**Producers = Tortoise North American Oil & Gas Producers Index<sup>SM</sup>**

The Tortoise North American Oil & Gas Producers Index<sup>SM</sup> is a float-adjusted, capitalization weighted index of North American energy companies primarily engaged in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The index includes exploration and production companies structured as corporations, limited liability companies and master limited partnerships but excludes United States royalty trusts.

**MLPs = The Tortoise MLP Index<sup>®</sup>** is a float-adjusted, capitalization weighted index of energy master limited partnerships (MLPs). The index is comprised of publicly traded companies organized in the form of limited partnerships or limited liability companies engaged in transportation, production, processing and/or storage of energy commodities.

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