TortoiseEcofin QuickTake Podcast

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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 Tortoise Senior Portfolio Manager Rob Thummel with this week's TortoiseEcofin QuickTake podcast.

Last week, the grand re-opening in the U.S. took a big step forward with the reopening of New York City. However, concerns related to rising inflation resulted in a slight decline in the stock market. The S&P 500 declined by less than a half of a percent while the Alerian Midstream Energy Index rose by approximately 0.2%.

The broader energy sector fell by 3% last week linked to falling oil prices as the oil market considered the potential for an agreement with Iran that would lift all major sanctions. Oil prices declined as it is expected that additional Iranian oil supply of up to 1 million barrels per day could return to the market in the second half of 2021. Global oil inventories have dropped significantly and are currently at the 5-year average. With oil demand expected to rise in the second half of 2021 and into 2022, we expect the market will be able to absorb the additional Iranian barrels without dramatically impacting the current oil price so oil prices should remain stable above $60 per barrel for the foreseeable future.

It's graduation season and congratulations to all of you are who celebrating a high school and college graduate. My daughter graduated from high school yesterday. Before beginning the weekend of celebration, I was happy to hear that the Dakota Access pipeline would continue to operate and would not be shut down. Last Friday, a federal district court ruled that the pipeline would remain operational while the Army Corp finishes a court-ordered environmental impact statement by the spring of 2022. This decision is a victory for the pipeline industry and will benefit the owners of the Dakota Access Pipeline including Energy Transfer, Phillips 66 Partners, Enbridge, and MPLX.

In another sign that life is returning to normal, the annual Energy Infrastructure Council or EIC Investor Conference occurred last week. The Conference was live, in-person in Las Vegas for those wanting to attend. We choose the virtual option to catchup with several of our portfolio companies post 1Q earnings season. Cyber security was a popular topic given the recent Colonial Pipeline breach. I learned a new term – air gap which is defined as a physical computer network that is isolated from another network. Most energy infrastructure companies operate pipelines on a stand-alone computer network that is not connected to other networks as the primary means of protecting against cyber threats. In addition, several companies strengthen network security by hiring third-party IT consultants that attempt to hack into the company's system. Energy infrastructure assets are critical and operating these assets 24 hours a day, 7 days a week is essential so we appreciate the steps taken by the companies have taken to keep these assets operating. A couple of additional highlights from the EIC Conference include the following. First, global demand for natural gas is strong. U.S. natural gas prices are near $3 per mcf during the time of year when prices are historically in mid-$2's. Global natural gas prices in Europe and Asia are strong for this time of year, as well, above $8 per mcf in both regions. The higher prices are supported by demand that has depleted inventories. For example, European natural gas inventories are currently 35% full. Normally, inventories are at least 50% of capacity this time of year. China is importing natural gas at levels that are normally occur during the winter. Liquefied natural gas volumes exported from the U.S. are forecasted to be 5 bcf per day higher this year compared to last year. We expect energy infrastructure stocks with natural gas and LNG export exposure like Cheniere Energy to deliver growing cash flow tied to rising transportation volumes throughout the remainder of 2021 and into 2022. We think the stars are aligning for midstream investors. We explain how in a Timely thematic topic piece on our website.

In other news, it was reported that China CO_2 emissions reached a record high of almost 12 gigatons in the 12 months ending March 2021. This is 5% higher than total emissions in 2019. Partially related to this, the International Energy Agency or IEA released a report last week titled net-zero by 2050: A roadmap for the global energy sector. The goal was to discuss the various pathways to net-zero emissions by 2050. The alternatives require significant investment and new technologies. The IEA reports suggests solar and wind capacity annual additions will be four-times 2020 levels. For solar PV, this is equivalent to installing the world's current largest solar park roughly every day. The report emphasizes that half of the technologies necessary to achieve net-zero are not commercially available yet. These technologies include: advanced batteries, hydrogen electrolyzers, and direct air carbon capture. Our investment team at TortoiseEcofin analyzes the energy transition every day looking for investment opportunities in current infrastructure as well as analyzing new technologies that are expected to become commercial as the world de-carbonizes.

Those are the highlights from last week. Thanks for listening. We will talk to you next week.

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.

The **Alerian Midstream Energy Index®** 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).

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