TortoiseEcofin QuickTake Podcast

June 14, 2021

Welcome to the TortoiseEcofin QuickTake podcast. I'm Brian Kessens, senior portfolio manager and managing director. Thank you for joining us as we provide timely updates on the market.

Last week, the Alerian Midstream Energy Index continued its strong absolute and relative performance, improving by 2.9%, over 2.5% ahead of the S&P 500 and broader energy. Crude oil prices increased 2%, closing at a 2-year high, benefitting from higher demand as road traffic in the U.S. and much of Europe is largely back to levels last reached before the pandemic. In that vein, the IEA released their monthly report, now expecting global oil demand to return to pre-pandemic levels by the end of 2022, with increases of 3.1 million bpd in 2022 over 2021 levels. The IEA noted OPEC+ "needs to open the taps to keep world oil markets adequately supplied".

In 2021 guidance some midstream companies indicated non-core asset sales were on the table. This week saw a couple of deals. First, Plains All American sold its natural gas storage assets along the Gulf Coast to Hartree Partners, a merchant commodities firm. Proceeds totaled $850 million, exceeding Plains' 2021 goal of $750 million in sales. Second, Magellan Midstream announced the sale of 26 refined product terminals in the southeast to Buckeye Partners for $435 million These terminals were not integrated with Magellan's pipeline system, so deemed non-core. Both transactions, with multiples above 10x EBITDA, indicate private buyers continue to pay attractive prices for midstream assets. We expect the proceeds to be returned to shareholders in some form of debt pay-down, share buybacks and / or distribution growth.

The deals build off of the two from the previous week with Kinder Morgan's natural gas storage purchase and the corporate competition for InterPipeline. They reinforce that buyers see value in energy infrastructure assets at prices above current publicly traded multiples and that natural gas will be a critical source of energy over the very long-term.

Energy companies continue to focus on reducing greenhouse gas emissions. Last week, companies operating 90% of Canada's oil sands production, including Suncor and Canadian Natural Resources, announced the Oil Sands Pathways to Net Zero initiative, with the goal of achieving net zero greenhouse gas emissions from oil sands operations by 2050. The companies will work with the federal and Alberta governments to achieve the aim. The initiative is anchored by a Carbon Capture, Utilization and Storage (CCUS) trunkline connected to a carbon sequestration hub, allowing 'tie-in' projects for expanded emissions reductions. We applaud the effort and think that this alliance is a blueprint that will be mirrored by other geographies with significant, concentrated emissions.

Along those same lines, the largest LNG export company in the U.S., Cheniere Energy, announced a collaboration with five natural gas producers and leading academic institutions to monitor and verify emissions from production wells in the Haynesville, Marcellus, Permian and Utica basins. The initiative will utilize drone and satellite monitoring technologies. The program supports Cheniere's climate strategy where the company plans to provide Carbon Emissions Tags to customers beginning in 2022. We think this initiative complements EQT's existing effort to produce 'responsibly sourced' natural gas, where wells undergo third-party certification to verify that the highest standards and practices are used in natural gas production. We believe this emission transparency and goal of offering 'cleaner' molecules meaningfully reduces emissions and expect other producers and providers to only expand the practice.

This week we may hear some geopolitical news related to the US potentially lifting oil sanctions on Iran in exchange for compliance with the nuclear accord and may receive a regulatory ruling on Enbridge's Line 3 pipeline project. Other than that, schools continue to let out with families hitting the road for vacation, setting up a strong summer driving season. 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.

The S&P 500® Index is a market-value weighted index of equity securities.

Midstream = 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 basas (AMNA) and on a total-return basis (AMNAX).

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

Producers = Tortoise North American Oil & Gas Producers Index℠
The Tortoise North American Oil & Gas Producers Index℠ 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® 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.

The indices are the exclusive property of TIS Advisors, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) ("S&P Dow Jones Indices") to calculate and maintain the Tortoise MLP Index®, Tortoise North American Pipeline Index℠ and Tortoise North American Oil and Gas Producers Index℠ (each an "Index"). S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and, these trademarks have been licensed to S&P Dow Jones Indices. "Calculated by S&P Dow Jones Indices" and its related stylized mark(s) have been licensed for use by TIS Advisors and its affiliates. Neither S&P Dow Jones Indices, SPFS, Dow Jones nor any of their affiliates sponsor and promote the Index and none shall be liable for any errors or omissions in calculating the Index.

Disclaimer: *Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This podcast contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This podcast reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intention. Discussion or analysis of any specific company-related news or investment sectors are meant primarily as a result of recent newsworthy events surrounding those companies or by way of providing updates on certain sectors of the market. Through our family of registered investment advisers, we provide investment advice to related funds and others that includes investment into those sectors or companies discussed in these podcasts. As a result, we stand to beneficially profit from any rise in value from many of the companies mentioned herein including companies within the investment sectors broadly discussed.*