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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.

The S&P 500 Index ended last week at a record high boosted by a potential bi-partisan infrastructure bill. The Alerian Midstream Energy Index delivered a positive return, as well. However, midstream and energy stocks have plenty of room to run before reaching record highs. As we approach the end of the second quarter, the energy sector is on pace to be the best performing sector in the S&P 500 Index for the quarter and energy infrastructure, as represented by the Alerian Midstream Index, is on pace to outperform the energy sector for the quarter. The fundamentals for continued strong performance from the energy sector, including energy infrastructure, remain in place including double-digit free cash flow yields that are forecasted to rise even higher in 2022. Higher free cash flow serves as a catalyst as energy companies deliver higher dividends, stock buybacks, and reduce debt.

Another potential catalyst that could boost stocks over a longer term is the expanding role that energy companies could play in the energy evolution. At JP Morgan's annual energy conference last week, carbon capture and sequestration or CCS and hydrogen were consistently highlighted by the 156 energy companies in attendance as the primary means that energy companies will participate in the energy evolution.

In addition, there were two announcements last week that highlighted energy companies' commitment to reducing carbon emissions. First, Enbridge priced the first ever sustainability bond in the energy sector. The \$1 billion bond offering with a coupon of 2.5% and a maturity date of 2033 contains a clause that increases the interest rate by 50 basis points if Enbridge does not meet its carbon emissions reduction targets. For reference, Enbridge has committed to reduce emissions by 35% by 2030 relative to 2018 levels. Enbridge is the largest energy infrastructure company in North America operating over 17,000 miles of crude oil and liquids pipelines and almost 24,000 miles of natural gas pipelines as well as being a top 20 owner of wind generation facilities with ownership interest in almost 2 gigawatts in 23 wind farms. We expect additional sustainability bonds tied to externally verified emission reductions target to be issued by energy companies in the future. Southwestern Energy was a second energy company demonstrating a commitment to carbon emissions reductions announcing an agreement with Project Canary. Southwestern is the 8<sup>th</sup> largest natural gas producer in the U.S. Southwestern joined the largest U.S. natural gas producer EQT in committing to responsibly sourced natural gas in the Marcellus under Project Canary's standards. Project Canary is an independent, public benefit corporation that installs emissions monitoring devices on producer wells sites and verifies that producers are following the best environmental standards. We expect other natural gas producers will partner with Project Canary in the coming years.

Natural gas appears to be regaining some of its recognition as an important piece in the global energy evolution. Last week in an interview with Bloomberg, U.S. Energy Secretary Jennifer Granholm suggested carbon capture technologies could help ramp up U.S. shale production in a way that is clean. At TortoiseEcofin, we believe that natural gas is one of the many ways that world de-carbonizes. Today, over one-third of global electricity is generated using coal – that is one-third too much in my opinion.

The U.S. has a real near-term opportunity to become a global leader in liquefied natural gas or LNG. Natural gas prices in Asia and Europe are at seasonal highs indicating strong global LNG demand. U.S. LNG shipments are at record levels and the global LNG supply/demand equation is tight for the foreseeable future. At the JP Morgan energy conference last week, the CEOs of two of the largest U.S. LNG operators suggested that the U.S. could be the largest LNG supplier in the world by the middle of the decade. The reliable, low cost of supply and the lower cost of LNG infrastructure are the two main competitive advantages that positions the U.S. above other competitors in the world.

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

The **S&P 500® Index** is an unmanaged, market-value weighted index of stocks that is widely regarded as the standard for measuring large-cap U.S. stock market performance.

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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