

July 12, 2021

**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. After observing Independence Day, we experienced some volatility during a shortened trading session last week. We continue to see data suggesting the economic recovery in the United States is on track. The TSA reported that the number of air travelers in the U.S. averaged close to two million people per day for the first full week of July, about 80% of 2019 levels for the same period. General expectations are for air travel to be slower to recover than other areas of the economy, so seeing some strong data this year is encouraging. As James covered last week, OPEC and its partners were unable to reach an agreement and the energy markets reacted with volatility and general weakness. Now let's look at market performance for the week.

Markets were mixed:

- The Alerian MLP Index finished down -1.8%, and is up 47.4% year to date
- Other energy stocks, represented by the Energy Select Sector Index, were down -3.4% for the week
- In broader markets, the S&P 500 gained 0.4% and the ten-year treasury yields fell six basis points to finish at 1.36%

Although the week of the 4<sup>th</sup> is typically a quiet one, there was some company news worth noting. TC Energy, one of the largest energy infrastructure companies in the world and famously the backer of the Keystone XL pipeline has filed suit against the Biden administration for their cancelling of the pipeline project. The company is seeking \$15 billion for damages under the legal theory that the administration's actions breached their obligations under NAFTA. We are not legal experts on trade agreements, but this will be interesting to watch as we thought this story was over after TC formally cancelled the project at the beginning of June. As a reminder, 19 states filed a lawsuit against the administration under the theory that Congress, not the administration should have the power to approve the project. Listeners will recall that the project was halted when the Secretary of State refused to issue the project a permit to cross the U.S. – Canada border. NewFortress Energy announced that it has successfully secured supply of liquefied natural gas for its five terminals in the Caribbean, Nicaragua, and Mexico. This removes some uncertainty from the name as a few of these terminals are expected to begin operations any day now. The company also signaled plans to secure LNG supply for its four Brazilian terminals it acquired from Hygo earlier this year. Those terminals will begin operations next year. Finally, in a busy week for NewFortress they announced an agreement with the government of Sri Lanka to build and take partial ownership in a new LNG import terminal in the country. As we mention on a near weekly basis, the energy industry has embraced the need to move towards a lower carbon world. On that front two companies announced new specific goals. EQT, a natural gas producer, and Chevron, the integrated energy giant, both released new emissions goals and some specific spending related to reducing emissions and improving ESG performance at the companies.

Last week the EIA reported that refineries are running at over 92% of capacity, effectively a full recovery to pre-pandemic levels. The agency also reported that crude oil inventories dropped by 7 million barrels, more than consensus expectations. Fuel demand reached record highs according to the agency, more supportive data points in addition to the air travel numbers we mentioned earlier. There was bullish geopolitical news as the week went on. It was reported that Russia believes OPEC+ can and will come to agreement and the parties intend to reconvene shortly. Lastly on crude oil, there were rumors that a deal to re-enter the Iranian nuclear agreement and bring their barrels back to market may be delayed until there is a formal hand over of power from the existing president to the president elect. All of this news allowed crude oil prices to recover into the weekend, closing at almost \$75 per barrel after falling with the OPEC disappointment on Monday. Natural gas production increased last week after production in West Virginia was restored after an outage. Consensus was for a large build in inventories of 27 billion cubic feet, but the actual reported number was a build of only 16 billion cubic feet. This is seasonally a period where inventories draw, and with the heat wave being experienced out West we think this build is not as bearish as it appears at first look. And despite this data point, natural gas closed the week at \$3.68 per thousand cubic feet, a multi-year high.

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.

**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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