TortoiseEcofin QuickTake Podcast

August 23, 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 slower GDP growth expectations in Asia due to the impact of the Delta variant led to softer forecasts for Asian crude oil demand. That backdrop, combined with a stronger dollar (it reached a 9-month high) and the Fed indicating it will likely begin tapering later this year, led to oil falling 9% for the week. Energy stocks followed that cue, with broad energy declining 7% and midstream slipping 4.5%.

That said, global crude oil inventories fell below the 5-year range for the first time this year, and in the US, driving data continues to hold up well versus comparable levels in 2019, before the pandemic. Further, natural gas prices are seasonably strong near $4 per mmbtu, improving on the week by 1.0%. Both domestic and international natural gas inventories are below historical levels.

For the news, on the regulation front, the Biden Administration said it will allow bidding for federal onshore and offshore oil and gas leases after a Louisiana court ordered it to do so. The Administration indicated it will challenge the court's decision. Regardless, we expect a constructive resolution before year-end about the Administration's ultimate new regulations around federal oil and gas leasing. We believe the focus will be on requirements to plug wells once they are abandoned at the end of their useful life.

In downstream, the pandemic delayed the EPA's 2021 biofuel blending mandate decision. The EPA is now expected to recommend reducing the 2021 mandate to below 2020 levels because the pandemic reduced fuel demand. The EPA's recommendation better aligns mandates with actual production levels. Over the short-term this would benefit refiners that must either blend biofuels into the fuel mix or buy RINs, a credit from those that do. The 2022 mandate is expected to be above that of the previous two years. Whatever the decision, having certainty on the mandate after much delay will be helpful to companies as they plan for business outcomes.

In M&A news, we have resolution in the competing bids for Inter Pipeline. Brookfield Infrastructure Partners won enough shareholder support the acquisition of the company. This ends the six month fight for control of Inter Pipeline which saw Brookfield increase its offer a couple times with Pembina Pipeline standing pat. While Pembina ultimately lost, the company did walk away with the C$350 million break-up fee. Not a bad conciliation prize.

For long-time listeners, you may remember our 2019 Teal Energy Deal presentation. We recently released a follow-up whitepaper detailing solutions that facilitate an economic and relatively quick transition to cleaner energy. The solutions include carbon capture, utilization and storage, hydrogen, battery storage, renewable natural gas, electric vehicles, and renewable diesel. The paper highlights the benefits and some of the challenges with each solution. It emphasizes the approach to a net-zero economy is two-fold, decarbonizing carbon emitting sectors and increasing electrification. It is a big challenge to produce both more energy and less carbon. We think energy infrastructure companies, in particular midstream companies, are ideally situated to be a part of the solution because they already have pipeline infrastructure in the ground, know-how on building new infrastructure and repurposing existing assets, and maintain strong customer relationships with both providers and users of energy. We're excited about the paper. I encourage you to check it out on our website or at the link included in the podcast transcript.

In last week's podcast Quinn mentioned the Hurricane level storms developing. They did not impact Gulf Coast energy operations, yet turned to slam the Northeast. We don't expect significant damage to energy infrastructure there, except for some power outages (hopefully short-lived) yet hope that all of you were able to stay safe through the high winds and downpours.

This week is the annual Jackson Hole central bank symposium where investors will parse words for the future direction of interest rates. Also, expect speculation about OPEC+ pausing their monthly 400 mbpd supply step-up at their September 1 meeting, following indications of the aforementioned softer Asian crude oil demand following the spread of the Delta COVID variant. Though it will be hard for OPEC+ to change course given global demand remains ahead of supply and it's always

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difficult to get all members to agree. We'll be here to report on those developments and more next week. Thanks for listening.

Link to white-paper: https://tortoiseecofin.com/resources/insights/commentary/the-new-age-of-energy-infrastructure/

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.

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