# TortoiseEcofin QuickTake Podcast

August 30, 2021

**Welcome to the TortoiseEcofin QuickTake podcast. Thank you for joining us as we provide timely updates on the market.**

Hello I am Matt Sallee, Energy Portfolio Manager at Tortoise.

On the macro front COVID and Jackson Hole garnered plenty of attention last week. Regarding COVID some positive news came in the form of the FDA's full approval of the Pfizer vaccine. Also in the CDC's latest weekly COVID forecast they not only pulled forward but lowered the projected peak of the Delta variant. Great news here.

Regarding Jackson Hole, Chairman Powell's comments reassured the market largely reiterating the July FOMC minutes, emphasizing tapering will be gradual, likely starting late this year, and the start of tapering does not mean rate hikes start as well. He also reaffirmed the Fed's belief that inflation is indeed transitory. Bottom line, the US markets cheered the messaging and pushed higher to close out the trading week on a high note.

In oil fundamentals for the week, despite ongoing challenges with the virus - economic activity, mobility and fuel demand remain quite resilient. The Department of Energy inventory report showed a large inventory pull for crude and gasoline despite an uptick in net crude imports. This was driven by healthy refinery utilization to meet strong refined product demand. In fact, weekly refined product demand not only hit another post pandemic high but a level not seen since mid-August 2019. Specifically for gasoline the top 3 weekly demand readings have come over the last several weeks showing the resilience of the American public.

These combination of these factors led to midstream indices gaining 4.5% for the week outperforming the 1.5% return of the S&P 500.

Moving on, we continue through the dog days of summer and it was another quiet week in terms of company news.

One update I was thrilled to see is Plains enhancing their governance structure to require all Directors be subject to public unitholder vote. Based off previous governance all but one director was subject to public vote but this eliminates the last so-called "designated" director. ESG factors have obviously become a huge focus for the investment community and energy is under an even greater microscope than most. In my view energy infrastructure has been pretty good on the "S", just think about not being able to heat and cool your home or otherwise have electricity. As for the "G" midstream governance has certainly gotten better over the last several years; as an example the vast majority of our portfolio has an elected board--and this just got better with the PAA news. Looking forward, the big push for us as a firm has shifted to the E which is where credibility will be the hardest to improve.

On the "E" subject, some interesting announcements came out last week on renewable fuels.

- First, Marathon announced a joint venture to with Archer Daniels Midland (ADM) to produce soybean oil from ADM's soybean processing complex in North Dakota. This facility will source and process local soybeans as a feedstock for renewable diesel for Marathon's refinery in the area. Renewable diesel now represents a big investment focus for the refining industry and MPC believes renewable diesel will approximate 10% of the domestic diesel market by 2025
- Also, Chevron increased it renewable fuels commitment by expanding its JV with Brightmark on renewable natural gas production. The group will build another 10 facilities to produce dairy based RNG which has a negative carbon footprint for use as fuel in long haul trucks
- Additionally, Exxon announced plans to produce 20,000 bpd of renewable diesel at its Edmonton refinery by 2024 resulting in annual emission reductions of 3M tons per year according the company.

Finally, over the weekend Hurricane Ida made landfall in Louisiana. The storm has left widespread impacts on infrastructure in the area. Roughly 1.7 million bpd of production in the Gulf of Mexico is shut-in, 2 million bpd of refining capacity is closed and over 1M homes are without power. The timeline to bring facilities back into service is unknown at this point but it is estimated production will be first back online while time to bring power back is more uncertain.

Up this week, OPEC meets to discuss their production forecast where we believe they will stick to the planned output ramp of 400,000 bpd but more on that in our next update so stay tuned. I leave it there for now, 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.

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.

**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.*