TortoiseEcofin QuickTake Podcast

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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 Matt Sallee, Energy Portfolio Manager at Tortoise.

It was another exciting week to follow the evolving energy market tightness across several parts of the world. As we've discussed at length LNG remains incredibly tight but the latest is a UK gasoline shortage driven by (pun intended) panic buying from consumers already dealing with price spikes in electricity and natural gas. Some of my colleagues based in London were able to confirm terribly long lines and some stations without fuel. The situation led to the UK government deploying a reserve tanker fleet with 150 military drivers to ease the situation which thankfully did improve later in the week. This is just the latest evidence of underinvestment on the supply side struggling to keep up with pent up consumer demand visible in many parts of the economy but highly apparent in commodity markets. Related to this, Goldman Sachs bumped their oil price forecast now calling for $90 Brent by year end and one of the world's largest energy traders, Trafigura, said despite a $70 forward market price for December 2022 Brent they wouldn't be surprised to see it at $100.

Enbridge hosted an analyst day focused on ESG initiatives across their business. We applaud their leadership in sustainability among midstream companies. First, to set the table it's important to start with the high level fact that over 2.5B people don't have basic access to electricity or gas in their home for something as simple as cooking, think UN sustainable development goal #7. Also 2/3 of China and India's energy consumption comes from coal so energy transition can mean vastly different things depending on what part of the world you live in. Sure in the US it may mean buying an EV but in India it may mean gaining access to US sourced LPG so you no longer have to use wood and animal dung to cook food for your family. Or in China and India, imagine the $C0_2$ emission reductions from replacing coal with gas and renewable generation for the nearly 3B people living there. Enbridge and other US midstream companies are making the transition happen. In OECD markets, I think most people will be surprised to learn ENB has invested $7B to develop over 5 gigawatts of renewable, primarily wind, power. They are also investing to develop renewable fuel sources to transport through the existing pipeline network including renewable gas and even hydrogen. The unique aspect here is that while many companies are talking about hydrogen, ENB is currently using it now for grid balancing and energy storage and will be blending it into the gas stream in Markham Ontario this quarter and blending up to 5% green hydrogen in a Quebec system by 2030. Finally the company has not only pledged to get to net zero emissions by 2050 but set an interim goal to achieve a 35% reduction from 2018 baseline by 2030. An important part of this relates to methane emissions where as a member of the OneFuture coalition the company has committed to a methane intensity rate of less than 1%. Here the company is well ahead of target with 2020 methane intensity of 0.1%.

I've found most everyone I talk to is surprised to hear that midstream companies have set both near and long term emission targets as ENB has so we pulled together the stats for our midstream portfolios in this regard. In order to keep the compliance folks happy I'll reference the latest public holdings of our TORIX open end fund.

- Just under 40% of the portfolio has made a net zero by 2050 commitment
    - That number increases just over 50% if you include companies who have set a 2030 target but are still figuring out how to get to net zero before making that statement
- 50% of the portfolio is a member of OneFuture, a group committed to methane emissions less than 1% (keep in mind this only applies to natural gas infrastructure)
    - In fact the 2020 methane emissions rate for OneFuture members was .334%; 2/3 below target

Bottom line; if you add up the percent of the portfolio that has made a net zero, interim or methane pledge and back out any double counting you find 2/3 of the portfolio has made 1 or more of these commitments. For those holdings that haven't it's time to figure it out. If a company doesn't want to commit to net zero before having a solid plan to get there I respect that but if you gather, process or transport natural gas I see no reason not to get methane emissions below 1%; the OneFuture members have shown it can be done.

Looking forward, this week brings the latest OPEC monthly meeting where the group is expected to increase production 400,000 bpd but may increase that number further given the strength in prices so stay tuned. Thanks.

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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