TortoiseEcofin QuickTake Podcast

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Last week energy markets ended in the green across the board with midstream energy infrastructure leading the way. With concerns over COVID-19 abating and international travel restrictions being softened, refined product demand is almost back to pre-pandemic levels. In fact, in the US, refined product demand was within 5% of pre-pandemic levels during the entire third quarter, and currently sits just 1-2% below. This demand, along with visibility to at least another 500 mbpd of crude oil demand from the power generation sector due to switching away from higher cost fuels like LNG, led crude oil higher this week, by 3.7%, broad energy was a plus 1.2%, and midstream improved by 4.9%. Further benefitting midstream is the PPI inflation escalator that, updated for September data, implies that companies will be able to increase tariffs by nearly 10% next year.

Talking about LNG, prices remain high in both Europe and Asia, with demand on both continents likely to grow over the coming decade. With that backdrop, last week Cheniere Energy announced it entered into a sale and purchase agreement for 0.9 million tonnes per annum of LNG for 13 years with ENN LNG. This strengthens Cheniere's ability to reach a final investment decision on contemplated stage 3 expansion at its Corpus Christi facility sometime in 2022. ENN LNG is one of the largest natural gas distribution companies in China and views natural gas as a means to achieving China's carbon neutrality goals. We expect additional long-term LNG agreements to follow, benefitting more speculative projects where there is some doubt about the ability to reach a final investment decision.

Showing how existing energy infrastructure will transition to other forms of energy, Plug Power and Phillips 66 signed a memorandum of understanding on the development of low carbon hydrogen business opportunities. The partnership will leverage Plug's hydrogen experience with Phillips 66's capabilities as a developer of large-scale energy infrastructure and operator of fuels marketing in the US and Europe. We look forward to seeing how the hydrogen value chain transpires and energy infrastructure's big role in it.

In E&P news, Gulfport Energy announced an increase in lender commitments to its credit agreement, from $580 million to $700 million, along with a nine month extension and a reduced LIBOR floor from 100 basis points to zero. The amendment provides flexibility in Gulfport's ability to return capital to shareholders. The news is notable because lenders are offering better credit terms while recognizing capital will be returned more directly to shareholders. And secondly, financial institutions grew their commitment. As we go through October bank redeterminations, we'll see if other producers receive similar, favorably treatment. Obviously, higher commodity prices are helpful to their cause.

Matt and Rob discussed midstream's growing net-zero targets over the past two weeks. Add another company to the list. Gibson Energy announced a net zero by 2050 target. The company also committed to interim 2025 and 2030 targets to reduce its overall greenhouse gas intensity by at least 15% and 20%, respectively. No surprise that Gibson also received the top 'AAA' rating from MSCI ESG ratings. We applaud the company's goal and continue to expect more companies to announce similar targets.

This week third quarter earnings reporting kicks off, notably with Kinder Morgan on Wednesday and the big three oilfield service providers spread throughout. For Kinder, we're anxious to hear about the update on refined products demand, gathering volumes given stronger commodity prices, and energy transition efforts. And for midstream energy infrastructure in general this quarter, we're expecting healthy quarterly results and to see that share buyback activity strengthened. We'll be listening for volume expectations for the fourth quarter and into 2022, impacts of higher commodity prices on cash flows, and any new energy transition initiatives. We'll be back here weekly to report on findings. 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.

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Midstream = 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 basas (AMNA) and on a total-return basis (AMNAX).

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

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® Index is a capitalization-weighted index of S&P 500® Index companies in the energy sector involved in the development or production of energy products.

Producers = Tortoise North American Oil & Gas Producers Index℠
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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.

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