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

Thanks for joining us today on the Quick Take Podcast. I'm James Mick, Managing Director and Senior Portfolio Manager with TortoiseEcofin.

Growing up in the 80's in various Midwestern towns, I was a huge Dallas Cowboys fan. Of course you almost had to be as they were on TV constantly as one of the only games to watch. But those days are past and this week they stood in the way of a four game winning streak for the Chiefs. It was actually about four weeks ago on this podcast that the Chiefs were sitting at 3 and 4, last place in the AFC West and I mentioned how if they could just get a win, it might generate some momentum. And they have done just that, vaulting to first place in the division and putting themselves right back in the playoff hunt. Momentum can be a funny thing. Here's to hoping they can keep rolling!

Moving to the markets, let's start things off with performance for the week that was:

- On the commodity front, crude oil had a tough week, falling 5.8%, while
- Natural gas moved higher due to international events, trending up 5.7%,
- Shifting to equities, the broader S&P Energy Select Sector Index® followed crude, lower by 4.9%
- Exploration and production companies, as measured by the S&P Oil & Gas Exploration and Production Select Sector Index were also negative, down a whopping 8%
- Utilities, per the Dow Jones Utility Index, eked out a positive return, plus 74 bps
- And finally MLPs, as represented by the Tortoise MLP Index® tracked broader energy, falling 4.6% for the week

Crude oil was certainly topical this past week. The move lower was primarily due to two events. The first was more of a continuation from previous weeks and something Rob discussed at length in the last podcast, a potential strategic petroleum reserve, or SPR, release by the United States. Although now it included Biden working the international scene, pulling China into the mix to try to get a coordinated release of various SPRs. Apparently China was up for it and may execute. Meanwhile, back home in the U.S. we have been releasing crude oil as part of an annual sale program since October 1 to very little fanfare. Funny how that works.

Japan initially elected not to participate, stating they try to keep their SPR releases for actual shocks or emergencies. One could probably read that multiple ways, but I took it as a bit of a dig at President Biden, who has been all over the board on crude oil and the blame game. Word is now that Japan is trying to get around their policy for some type of release. Of course if you listen to the head of the government run Energy Information Administration or commodity desks of the big banks, such as Goldman Sachs, a potential release by the U.S. of the maximum 30 million barrels would result in about a $3 temporary impact to the crude price. Of course it is already down about $9 from the high of a shade over $84, so hard to say this isn't already priced in.

The second driver of lower crude oil prices was more related to the back end of the week and news on Friday that Austria was implementing a full scale shutdown due to Covid concerns. Obviously highly disappointing to hear this on so many levels, but strictly from a crude oil context, Austria represents about one third of one percent of total crude oil demand worldwide. Of course at issue is whether this will be a cascading impact with other Euro countries feeling they need to follow suit and impact global crude oil demand on a larger scale. Time will tell. As vaccination rates improve and other modalities for dealing with the virus increase, such as the latest Pfizer tablet, hopefully we can move past some of these events.

One other thing to note on crude oil, while the front months of the curve declined, the longer dated months have actually ticked higher, to the tune of about $3 in the middle part of the decade. This is likely a realization that the underinvestment of the past 5 years, along with a sustained period of stronger demand, will result in higher crude oil prices.

On the natural gas front, we saw a price spike at Henry Hub in the U.S., but it was likely driven by higher prices in Europe. Germany effectively delayed Russia's Nordstream 2 nat gas pipeline on certification issues. That led to a percentage spike in European prices in the mid-teens range. Of course the interconnectedness of the markets led to higher Asian prices as well as those two end markets compete for supply.

It was interesting to see on the LNG side that Cheniere Energy and French energy giant Engie announced an agreement for Cheniere to sell liquefied natural gas for an 11 year term. Of course we have talked about several of these types of agreements in the last number of podcasts. What makes this one a bit more noteworthy in our view is that Engie pulled out of a similar agreement last year with another LNG supplier from the U.S. due to environmental concerns. Cheniere has frankly been at the forefront of the push to ship environmentally friendly natural gas. They are using their purchasing power and connections to force change throughout the value chain, with a plan to carbon tag all shipments of LNG that leave their docks in the near future. Additionally, Cheniere has been forward thinking in terms of providing the market peer-reviewed documentation of the full life cycle impacts of LNG shipments from an emissions perspective.

Our final topic is an exciting one, at least for us! Two members of our portfolio team attended the first in person midstream energy conference since the pandemic started. Fellow podcasters Brian and Rob made their way to Dallas to the RBC Energy conference last week. Well attended, a few key takeaways were as follows:

- The tone was upbeat from management teams and attendees alike, with outstanding 2021 performance year to date
- Management teams highlighted healthy energy infrastructure fundamentals with higher demand across all three drill-bit commodities
- High free cash flow being directly returned to shareholders was a continued theme

On this last point, capital allocation was the topic of the conference, as investors discussed with management the best methods of returning capital. In our view, an all of the above approach is best, highlighting debt pay down, distribution growth and share buybacks.

With that, have a great week and we look forward to speaking with you again soon.

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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