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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 Tortoise Senior Portfolio Manager Rob Thummel and welcome to the final TortoiseEcofin QuickTake podcast of 2021.

For the final podcast of the year I am going to focus on the highlights for the year and a brief outlook for 2022. We started 2021 with approximately 39,000 people in the world fully vaccinated against the COVID-19 virus and we exit the year with almost 4 billion people in the world fully vaccinated against the virus. Accordingly, the global economy experienced a significant recovery. Energy commodities such as oil, coal, and natural gas remained essential in supporting global economic expansion. Oil, coal, and natural gas collectively represented over 80% of global energy supply in 2020 and are forecasted to gain market share in 2021.

Winter Storm Uri in the U.S. and low current inventory levels in Europe highlighted the critical role of natural gas as a fuel. Natural gas which is decarbonizing as it emits almost 50% less CO₂ emissions than coal has solidified its place as a fuel of the future. In November, the European Union climate chief Frans Timmermans acknowledged that he sees a role for natural gas in the green energy transition after stating in March that fossil gas has no viable future. In the U.S., we are fortunate to have more than adequate supplies of natural gas which keeps consumer prices low. Have you seen what is going on in Europe? European natural gas prices are 12 times higher than in the U.S. right now. For perspective, the EIA suggests that the U.S. average winter heating bill will be \$746 this winter. Imagine if you had to pay 12 times that amount. It would be almost \$10,000 to heat your home for the winter. Having low cost natural gas for home heating and reliable electricity is a significant economic advantage for the U.S. In addition, the U.S. is a net exporter of natural gas and is on pace to become the world's largest LNG provider by the end of 2022 exporting 14 bcf/d which is about 15% of U.S. natural gas production.

Related to oil, an undersupplied oil market resulted in rising oil prices throughout 2021 as global energy demand exceeded supply for most of the year. The global oil market is expected to become more balanced in 2022 as OPEC+ adds to oil supply to offset increased global oil demand that is forecasted to exceed pre-COVID levels in 2022. However, oil prices likely remain at current levels and potentially move higher in 2022. It appears that underinvestment in global oil related projects has caught up with us making it more difficult to raise global oil supply to match growing demand. In fact, several OPEC+ oil producers have been unable to increase oil supplies due to lack of investment.

Lastly on the commodity front. Unfortunately, coal is making a comeback. The International Energy Agency forecasts coal-fueled generation to increase by 9% in 2021 with the world generating more electricity using coal than ever before. Of course, this is detrimental to the global decarbonization megatrend.

Shifting to a quick review and outlook for the midstream sector, high dividend yields and strong free cash flow has propelled midstream sector outperformance in 2021. In 2022, these two fundamental factors along with an additional element could lead to another year of outperformance for the midstream sector in 2022. First, single digit expected returns from the broad market, negative real yields in the bond market, and a 1.3% dividend yield on the S&P 500 index make the almost 8% dividend yield of the midstream sector represented by the Alerian Midstream Energy Index look quite compelling. Second, the double digit free cash flow yields offered by the midstream sector which are at least double the free cash flow yield of the S&P 500 index position midstream stocks to offer more than just dividend income. Midstream stocks are forecasted to increase dividends, buyback stock, and reduce debt in 2022. Lastly, the global decarbonization mega trend is likely to accelerate in 2022. Midstream companies are not only positioned to decarbonize their own operations but midstream operators are also investing in future technologies that will accelerate the pace of global decarbonization. These technologies include renewable fuels like renewable natural gas and diesel as well as carbon capture and hydrogen. In fact, one of the largest midstream operators is already operating a pilot project that blends hydrogen with natural gas to deliver a lower carbon solution to customers. If you are interested in learning more about the role that midstream energy is playing in decarbonization, check out the 10 things you might not know about decarbonizing midstream energy on our website.

Those are the highlights from last year. Thanks for listening. We will talk to you in 2022. Happy Holidays!

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 **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 basis (AMNA) and on a total-return basis (AMNAX).

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