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

Welcome to the TortoiseEcofin QuickTake podcast. I'm Brian Kessens, senior portfolio manager and managing director. Thank you for joining us as we provide timely updates on the market.

Last week was a tough one. Geopolitical tensions, the prospect of higher rates, and lingering supply-chain issues weighed on nearly every market. There's also a transition to a new normal as the Omicron variant recedes from yesterday's hot spots and policies move toward greater reopening. Someone characterized last week well saying, "the stay-at-home trade is over." For the week the S&P 500 dropped 5.7% with broad energy and midstream better on the relative, with both off just over 3%. Crude oil bucked other market declines, finishing 1% higher due to uncertainty on Russian's Ukrainian ambitions, and a growing recognition that spare capacity is lower than historical levels as OPEC+ continues to fall short of meeting their production targets.

Moving to the news, we've highlighted midstream capital allocation over the past couple years with an emphasis on debt pay-down. 2022 offers the potential for much more meaningful dividend growth now that debt targets are largely reached. Last week growth started to surface with Targa Resources improving their quarterly dividend from \$0.10 to \$0.35 or 250%, and Western Midstream growing 1.3%. Stay tuned for more to come.

Kinder Morgan kicked off midstream fourth quarter earnings with an in-line quarter. They're seeing no visible impact on energy demand due to Omicron and that relative to pre-pandemic, road fuels are now down only 2%, though jet fuel still lags, lower by 22%. Other call takeaways were strong gathering volumes in the Haynesville, up 19%, and in the Bakken, higher by 9%. Management also emphasized their capital allocation focus with \$750 million in buyback potential in 2022, and noted the need for another natural gas pipeline out of the Permian by the end of 2023, with expectations that this will be a new-build. More to come from Kinder this week, particularly on capital allocation, project outlook, and energy transition opportunities as they hold their analyst day on Wednesday.

We've talked about the embedded inflation protection of the midstream sector with liquids pipelines able to increase tariffs by an annual escalator. Last week, the FERC updated that number for the next five years. Until 2025, the PPI escalator equals the annual change in the PPI minus 0.22%. A slight negative tweak from the initial proposal of PPI plus 0.78%. For this year, based on 2021 PPI, we estimate liquids pipelines can increase tariffs by 8.7%. We think this is compelling inflation protection given we don't believe operating costs rose by nearly that much.

Two oilfield service heavyweights reported last week. Schlumberger is calling for double-digit growth in both North American and international markets this year, and noted the "macro environment is increasingly supportive of a potential super-cycle" for both onshore and offshore. Baker-Hughes was equally bullish. In addition, Baker emphasized tailwinds in its business lines tied to LNG, Carbon Capture and hydrogen. That should also be good for midstream energy transition opportunities. On the negative, both Schlumberger and Baker suggested supply-chain issues could linger into the first half of this year.

On last week's podcast, Quinn talked about Cheniere and US LNG meeting the increased European demand. Cheniere's Sabine Pass facility on Thursday and Friday hit a new plant record of 5.1 Bcf/d, liquefying nearly 5% of all US produced natural gas. Cheniere had the foresight to construct not one, but two loading docks to reduce any bottleneck risks. That decision is now helping keep Europeans warm this winter and allowing the company to benefit from the arbitrage between US and European prices.

This week fourth quarter earnings reporting picks up in a bigger way with bellwethers Haliburton, NextEra, Valero and Chevron all reporting. Also expect negotiations on a smaller Build Back Better plan to start in Washington. And with the Russian – Ukraine standoff, continued diplomatic discussion is a good thing. 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](mailto:info@tortoiseecofin.com).**

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