

February 7, 2022

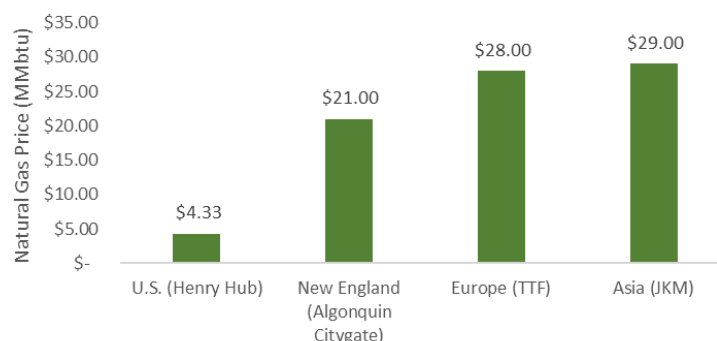
**Welcome to the TortoiseEcofin QuickTake podcast. Thank you for joining us as we provide timely updates on the market.**

Hello. I am Tortoise Senior Portfolio Manager Rob Thummel with this week's TortoiseEcofin QuickTake podcast.

October 2014 was a memorable month in a memorable year for many of us at the TortoiseEcofin world headquarters in as it was first time in 29 years that our hometown Kansas City Royals baseball team reached the World Series. October 2014 was also the last time that U.S. crude oil prices surpassed \$90 per barrel until last week. Last week, U.S. crude oil prices surged 4% ending the week at \$92.31 per barrel. We've received a lot of questions related to oil starting with will oil prices reach \$100 per barrel? Historically, the level of oil inventories has been a good predictor of oil prices. Currently, global oil inventories are at their lowest level in seven years so it is not surprising that oil prices are at their highest price levels in seven years. Global oil demand continues to increase and likely increases into the summer eclipsing 2019 levels. However, the global oil supply is simply not keeping up with the increase in demand as the largest producers including OPEC+ and the U.S. are still not producing as much oil as they were in 2019. Given the undersupplied oil market, oil inventories likely continue to fall meaning oil prices could rise above \$100 per barrel. So, what does \$100 oil mean for the economy? It means inflation and the possibly the return of the staycation as some may opt to vacation at home due to rising cost of gasoline and plane tickets. My inclination is that \$100 oil today is not the same as \$100 oil in 2014 as absolute GDP is higher, disposable income levels in the U.S. are much higher and personal savings rate are better. Hasn't COVID forced us into a staycation for the last two years anyway? For these reasons, I don't think we start becoming concerned about demand destruction until oil prices are well above \$100 per barrel for an extended period of time.

Keeping with the commodities theme, U.S. natural gas spiked mid-week rising by 16% before falling ending last week 5% lower. I was on the radio show last week talking about natural gas prices when a Mike from New England called in to tell me that Tom Brady had officially retired. I thought Mike wanted to talk about elevated natural gas prices in New England. Figure 1 below illustrates the average daily price of natural gas at the most liquid trading hub in the U.S. during the month of January was approximately \$4 per MMBtu. According to the Energy Information Administration or EIA, daily natural gas prices in New England averaged \$21 per MMBtu in January that is 5x higher than the average natural gas price across most of the U.S. For comparison, natural gas prices in New England were comparable to prices in Europe and Asia which averaged \$28 and \$29 per mmbtu, respectively. Why are natural gas prices in New England so high? New England has resisted pipeline infrastructure expansions that would have provided New Englanders access to low cost natural gas from the Marcellus Shale that is located a few states away in western Pennsylvania. Instead, New England has chosen to rely on global sources of natural gas supply so consumers pay higher natural gas prices as New England consumers have to compete for LNG in a tight global LNG market during the winter.

Figure 1  
Average Spot Natural Gas Price for January 2022  
Source: EIA.gov



Wrapping up with a few company specific highlights. The elongated fourth quarter earnings season continued last week with some of the industry heavy weights providing updates. In today's stock market, earnings matter and cash flow is

rewarded. Exxon delivered its highest earnings in seven years and its most free cash flow since 2008. Exxon's stock price responded rising by 8% last week outperforming the S&P 500 by a large margin. Exxon's extended its commitment to capital discipline including initiating a \$10 billion share buyback program. In addition, Exxon reiterated its dedication to decarbonization aiming to achieve net zero Scope 1 and 2 emissions for operated assets by 2050 and to achieve net zero emissions in their Permian Basin operations by 2030 specifically. Exxon indicated plans to grow Permian oil volumes by 25%. Recall that Chevron indicated a 10% rise in Permian volumes in its 4Q earnings call. Oil production from the Permian Basin is already higher today than in 2019 and it appears to be going higher which is a good indicator for continued strong results from many midstream energy infrastructure operators. Speaking of midstream, one of the largest midstream operators Enterprise Products Partners reported all-time highs in terms of earnings and cash flow. Enterprise management highlighted how the current energy supply disruptions and geopolitical tensions in Europe may lead to greater long term international demand for U.S. crude oil, natural gas, and natural gas liquids as a source of reliable supply. However, the Enterprise stock price underperformed its peers due to concerns regarding capital discipline after management announced higher than expected growth capital expenditures for 2022.

Those are the highlights from last week. Thanks for listening. We will talk to you next week.

**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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