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

Good to be with you today, I am Quinn Kiley, Managing Director and energy Portfolio Manager at Tortoise and I am happy to host this week's QuickTake Podcast. With another long weekend behind us, let's take a look at news that may move the market this week. The Russia/Ukraine tensions continue to mount. There are warnings from the Whitehouse of an imminent invasion despite Russian announcements of their troops returning to their bases. The Biden administration claims to not have seen any evidence of a de-escalation. On Monday Russia signed a document formally recognizing the separatist provinces in eastern Ukraine. There have been unsubstantiated reports of Russian troops moving into the break-out territories. It also appears as though sanctions have been proposed against various Russian parties, including the NordStream II pipeline. While our markets were closed yesterday, Russian stock markets fell in the largest single day retreat since the Great Financial Crisis in 2008. Brent crude oil, the global oil benchmark, saw prices move north of \$97 per barrel on the news this morning. Interestingly, European natural gas prices fell Monday before rising nine percent this morning; these modest moves perhaps reflect the improving storage situation as inventories have moved higher toward more normal levels. This does point out that commodity prices are influenced by fundamentals, not just geopolitical risk. To that end, we saw global jet fuel demand increase for a second week in a row. As a reminder to our listeners, this had been the one area of refined products demand that had struggled to recover. According to Bloomberg, U.S. air travel came within 10% of 2019 levels last week and bookings suggest an uptick in flights in Europe and Asia in the coming weeks. On the negative front, Iranian nuclear talks continue. If they are successful, Iran could return barrels to global markets and pressure energy prices going forward. With that, let's look at market performance last week.

Markets were weak:

- The Alerian MLP Index fell -4.3%, and the Index now sits up 12.9% for the year
- Other energy stocks, represented by the Energy Select Sector Index, were down -3.4% for the week but remain the top performing sector for the year
- In broader markets, the S&P 500 lost -1.5% and ten-year treasury yields fell slightly, finishing at 1.93%

With all the geopolitical news in the headlines, it may be easy for listeners to forget we are still in the middle of earnings season. In this podcast I'll cover the earnings news that is germane to our portfolios. Enbridge reported a slight miss versus fourth quarter expectations. Importantly they reiterated their 2022 guidance for a mid-point that is nine percent higher than what they achieved in 2021. After announcing a renewable natural gas partnership last week that James covered, they announced a carbon capture and storage project for a cement plant in Edmonton. Cement is a leading contributor to CO₂ emissions, so the fact that this facility could be in operation as soon as 2025 is encouraging. Enbridge also announced a three percent increase to its dividend and that the Toronto Stock Exchange had approved its stock buyback plan. TC Energy announced fourth quarter results in line with expectations. No major developments announced, but the company continues down the path of growth through new capital projects. TRP sanctioned \$7 billion in new capital projects and updated its capital backlog to \$24 billion and sees the company adding \$5 billion annually. EnLink earnings were in line and guided higher than consensus for 2022, growing cash flow ten percent next year. The company announced it is in talks to repurpose existing pipeline to transport CO₂ for sequestration. We expect to hear more of these types of announcements from the industry over time. Oil and gas producer Devon Energy reaffirmed its 2022 guidance and that the name is a major generator of free cash flow and its intention is to return that cash to shareholders. The company announced that it had repurchased about \$600 million of its own stock last quarter, increased its quarterly dividend by 45%, and declared a variable dividend that is over five times larger than the new quarterly dividend. In a similar announcement, Pioneer reiterated that return of cash to shareholders remains a top priority. The company announced a new \$4 billion repurchase plan, a 25% bump in the quarterly dividend, and a variable dividend almost four times that of the quarterly payout. Energy Transfer had a good earnings call as well, and guided to 2022 consensus earnings. On the capital allocation front, the company is focused on returning the distribution to pre-pandemic levels, further reducing debt, developing attractive return projects, and finally unit repurchases. While we would like more emphasis on repurchases, these priorities are reasonable. The company announced the potential to repurpose existing pipelines and rights-of-ways to create a new Permian natural gas pipeline with minimal capital expenditures. This news seems to make Energy Transfer a front runner to bring badly needed new exit capacity to the basin. Genesis Energy announced in line earnings but guided for 2022 above consensus expectations. Driving this higher guidance is an expectation the realized soda ash prices in 2022 will surpass pre-pandemic levels last seen in 2019. Soda ash is an important ingredient in everything from glass and

paper to swimming pool chemicals. In addition to its traditional liquids infrastructure business, Genesis is one of the world's largest producers of soda ash. Finally, Williams was out with earnings last night. The report was a slight beat for the fourth quarter. More importantly, the company guided for 2022 in a range above the street consensus.

In other related news, Shell announce a zero premium bid to buy in its wayward MLP Shell Midstream Partners. Shell had been busy advancing its energy transition efforts at the parent but had failed to enunciate a similar plan at the MLP. Marathon is among the group of energy companies announcing deliberate plans to reduce emissions through incremental plans that are measurable and attainable. Last week the company extended its goals from 2025 to 2030 and increased its emission reduction targets by another 50%. NuStar announced plans to sell non-core terminals in Nova Scotia as they continue to de-lever their balance sheet. Although expected, Fitch was the first ratings agency to formally upgrade Targa Resources to investment grade. This follows announcements from S&P and Moody's that Targa was on watch for a credit upgrade. To paraphrase the 1980's A-Team, we love it when a plan comes together and Targa has been repairing its balance sheet for years with the intention to get an investment grade rating. NextEra Energy announced a further impairment on its investment in the Mountain Valley Pipeline given its struggle to reach completion. The pipeline is caught up in regulatory and legal issues. On that front the FERC announced a change to its new pipeline permitting process going forward. FERC will take into account the greenhouse gas emissions generated by the pipeline and the products it transports. This will likely slow down and increase the cost of new pipeline development. Given the current state of infrastructure in the U.S., there is little need for major new pipeline development. The need for Permian pipelines mentioned above is solely in Texas, thus likely to advance. The sorely needed pipelines in the northeast have been challenged on a state level for years, so FERC's announcement probably does little to change the expected negative outcome for these proposals.

So far, energy earnings have been as strong as expected. If anything, 2022 outlooks are even better than expected. Thanks for joining us and we will be back next week. Please stay safe.

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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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 IndexSM

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