TortoiseEcofin QuickTake Podcast

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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 with this week's TortoiseEcofin QuickTake podcast.

An early week rally fizzled after major retailers Walmart and Target reported lower than expected earnings and offered dismal outlooks as the consumer and corporations grapple with high inflation. The S&P 500 fell 3% flirting with falling into bear market territory. Energy stocks specifically the Alerian Midstream Energy Index fared a bit better rising by 1% last week.

Over 500 attendees flocked to Florida to attend the annual Energy Infrastructure Council investor last week. While the markets continue to anticipate lower earnings outlooks for many companies in the S&P 500, management teams in the energy infrastructure sector remain optimistic about earnings that were for the most part were revised higher during the first quarter resulting in double-digit free cash flow yields that more than support 6-7% dividend yields for the sector.

North American energy infrastructure is part of the solution to tame inflation and enhance global energy security. Global oil and gas inventories are low so commodity prices are high. The world needs more energy from secure, reliable sources like the U.S. and Canada. Last week, Chevron and TotalEnergies announced a deepwater project in the Gulf of Mexico that could add 75,000 barrels per day of crude oil supply beginning in 2025 at a cost of $1.6 billion. In addition, data from last weeks EIA Drilling productivity report suggests that U.S. oil and gas production will continue to increase with most of the oil production growth coming from the Permian. A potential bottleneck that could stunt Permian oil growth is lack of infrastructure to transport natural gas that is produced along with the crude oil. This potential bottleneck was alleviated last week with the announcement of several pipeline projects. First, WhiteWater, EnLink Midstream, Devon and MPLX plan to construct a new 2.5 bcf/d Matterhorn Express pipeline that runs 490 miles from the Permian Basin to Houston. The pipeline is expected to be in service in the third quarter of 2024. In addition, Kinder Morgan initiated an open season to expand its existing Gulf Coast Express Pipeline that originates in the Permian by 570 million cubic feet per day. These proposed options along with the MPLX announcement to increase the capacity of its existing Whistler Pipeline by 500 million cubic feet per day a few weeks ago should provide adequate natural gas transportation capacity to support Permian oil and natural gas expansion for several years.

Shifting to M&A activity last week, a couple of notable transactions were announced. First, publicly-traded Permian operator Centennial Resources intends to acquire private operator Colgate Energy Partners for $4 billion. Second, Exxon Mobil sold its Barnett Shale natural gas assets for $750 million to BKV Corporation. Exxon purchased these assets from XTO in the 2009. As you recall, the Barnett was the location that George Mitchell the founding father of the shale revolution got started. Shale was one of the first energy technologies deployed that has led to a significant reduction in carbon emissions and provided the U.S. with energy security. BKV is a private operator with a goal to produce net-zero green gas. Several U.S. natural gas operators like BKV are looking to take additional steps to decarbonize even further focusing on responsibly sourced natural gas and/or green gas. Which brings me to my last point.

Regular listeners to this podcast have heard us emphasize decarbonization as a global mega-trend as well as the need for an all-of-the above energy policy approach to achieve decarbonization goals. Progress toward reaching these goals continues to be made in the energy sector. Last week seemed to be carbon capture week. First, bp and Linde announced a new major carbon capture and storage project in Texas that will enable low carbon hydrogen production at Linde's existing facilities. The project is expected to be operational as early as 2026 and could ultimately store up to 15 million metric tons per year of carbon- the equivalent of taking approximately 3 million cars off the road each year. Chevron announced a potential carbon capture and storage project in the San Joaquin Valley in California. And Denbury agreed to transport and store carbon dioxide captured from Nutriens new clean ammonia project in Louisiana. The project would capture 1.8 million tons per year. Many don't realize that Denbury is already moving over 14 million metric tons of carbon dioxide through its 1,300 miles of CO_2 pipeline which is the largest CO_2 pipeline network in the world. In addition, another energy recycling technology that could accelerate the pace of decarbonization achieved a major milestone last week. Li-Cycle whose technology recycles existing lithium ion batteries processing into nickel, lithium, and cobalt closing the circular economic loop with regard to battery materials. Li-Cycle announced the opening of a battery recycling facility in Arizona with capacity to process up to 10,000 tons of lithium batteries per year. By 2023, Li-Cycle is expected to operate the first facility in North America that will be capable of recycling highly valuable critical metals including lithium, cobalt, and nickel that will be necessary for the continued development of the electric vehicle and battery storage industries.

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.

The S&P 500® Index is a market-value weighted index of equity securities.

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).