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 Matt Sallee, President of Tortoise.

Last week kicked off energy earnings with Kinder Morgan, Haliburton and more. Starting with Kinder, they put up a strong quarter and raised full year guidance 5%. The primary drivers of the guidance raise were the natural gas segment on strength from their pipelines than deliver gas to LNG export facilities as well as high commodity prices that benefit their oil production business and the refined products pipelines where they retain a small portion of the volume transported. The flip side of high prices is volume on the product pipes were down as we are starting to see some demand destruction. This is supported by the department of energy weekly demand numbers which show total US gasoline demand off about 7% vs last year on average over the last 6 weeks. Some other quick notes for Kinder's report, they bought back $275M of stock during the quarter (nice job team) and they added to the renewable natural gas business buying 3 large landfill gas projects for $355M or an 8x multiple once the projects ramp up.

In oil field services, Haliburton kicked things off with a solid beat. Their North American business saw revenues increase 26% sequentially while international revenues were up 12%. Longer term the company expects the international business to grow for the next several years and in North America they are literally sold out so I guess you could say they've got some pricing power. Along with this they increased next quarter's guidance so pretty much everything you want to see in an earnings report.

Also in oil field services Baker Hughes reported but actually managed to put up a poor quarter. How you do that is the market? Well several ways, first they're having supply chain issues including trouble sourcing equipment components and inflation as well as the suspension of Russian operations. Their outlook was also much more cautious relative to Haliburton.

Last but not least, Schlumberger was on the Halliburton plan and put up a big number and raised guidance. They said despite concerns of an economic slowdown producers are pushing ahead with spending increases due to the need for greater supply and the push for energy security. In other words the energy sector could somewhat insulated from a potential recession due to other macro factors at play.

On the utility front NextEra kicked things off with a 2Q beat on favorable wind generation and held guidance flat but pointed to the top half of the range. On the development front the added 2 GW to the project backlog providing more visibility to future growth.

Moving on from earnings, I know we've been hitting this each week in the podcasts but it was, yet again, another active week in LNG markets.

- First, LNG heavyweight Cheniere announced another long term agreement, this time with PetroChina, for LNG cargoes starting in 2026 and running through 2050, indeed a long term deal. Similar to the company's last few contracts, half the volume is subject to making final investment decision on a project beyond the currently planned Corpus stage 3. Even without adding this project there are enough export projects under consideration from the industry to nearly double exports from the current level.
- Next, Excelerate Energy announced an MOU with Bulgaria's Overgas for a 10 year term that will feed a LNG to a power project in the area.
- Finally, Germany announced a private consortium is working with TotalEnergies to add a fifth floating LNG terminal. Similar to other FLNG projects in the country, this project has an incredibly quick timeline with planned in service by the end of this year.

In other natural gas macro news the Nord Stream 1 pipeline resumed flows to Europe after being down for maintenance. It appears to be running near pre-maintenance volumes of roughly 40% of total capacity which is a relief for the continent as there was some concern it may remain shut. That said, EU countries are still pushing ahead full speed on supply diversification, hence the 5th German import project I just described. Underscoring this, Putin has already warned of additional needed maintenance that would reduce the flows to 20% of capacity in the coming weeks. Needless to say, it hasn't been a dull summer when it comes to the global gas market.

I'll leave it there for now, have a great 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.

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