TortoiseEcofin QuickTake Podcast

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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.

Fed Chairman Powell's speech at Jackson Hole on Friday took center stage last week. The central banker came out more hawkish than expected, stating that inflation is too high and the Fed is determined to fight it even if that means households will take some pain. The S&P 500 ended the week lower by 4% with most of the loss occurring following Powell's remarks. Energy though was better on the week as the S&P Energy Sector Index finished 4.2% higher and midstream, as measured by the Alerian Midstream Energy Index, was 1.2% for the better.

Crude oil prices continue to be focused on the potential for an agreement to bring Iran back into the JCPOA and remove sanctions. After trading draft agreements, Iran and the US are closer to a deal now than at any other time during the Biden administration. While a deal could add 1 million bpd to the global oil market, Saudi Arabia and other OPEC member nations quickly reminded everyone that they'll have the last word, offering thoughts that they would consider reducing oil production to stabilize the market. The implication is production cuts would potentially coincide with a return of Iranian oil to global markets. Geopolitics at its best.

The Biden Administration is also paying attention to domestic refined product inventories. Last week Energy Secretary Jennifer Granholm sent a letter to US refiners requesting they proactively curb refined product exports in favor of building inventories at home. I'm not sure how our European allies would view such a move. We'll continue to monitor this rhetoric. So far, we've seen no action in response.

Speaking of exports, there doesn't seem a week goes by without more evidence of growing US LNG export demand. Last week Energy Transfer inked another contract for LNG from its Lake Charles, LA facility, this time for 2.1 mtpa with Shell. That brings Energy Transfer's total to 8 mtpa, or just over 1 Bcf/d. Expect a Lake Charles FID sometime before the end of 2022 with first deliveries aimed for 2026.

Staying with LNG, if you remember back in June, Freeport LNG experienced a fire at their LNG export facility in Texas. At the time, a return to full operations was not expected until late this year. Now it is anticipated that initial production can commence in early to mid-November with a ramp to a sustained level of 2 Bcf/d, or 85% of operating capacity, by the end of November. That return is especially helpful for Europe to meet its real-time natural gas needs at the start of winter. A fully operational facility is expected in March of next year when Freeport's second LNG loading dock is reinstated.

If there was one word to describe natural gas markets last week, it was 'maintenance'. Russia announced Nord Stream 1 will go down for maintenance for three days beginning on August 31, resulting in flows to Germany and Eastern Europe falling to zero. Norway, now the biggest gas supplier to Europe following reduced Russian shipments, also announced it will curtail exports to Europe significantly in September due to heavy maintenance activity. Finally, the major Western Canadian natural gas pipeline systems are undergoing maintenance now with more scheduled for September and October ahead of winter, while at the same time Canadian production is growing. This is leaving that gas trapped in Canada for now. No surprise all this maintenance has sent regional natural gas prices diverging. For perspective, US Henry Hub prices are at $9 per mmbtu. German prices are at a multiple of that at $70 per mmbtu, with Canadian prices at a fraction of US prices, at $3 / mmbtu last Friday, after actually ending last Monday in negative territory. We've emphasized how critical natural gas pipelines are to economies. Perhaps there's no better illustration of this importance than when pipelines are off-line for maintenance.

This week expect continued read-throughs from the central bank gathering in Jackson Hole, especially on Chairman Powell's hawkish comments from Friday. Finally, this is the last week before Labor Day, or before it really gets busy. I expect many will try to get some rest and relaxation before the news flow surely surges in September. 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.

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Midstream = 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 basas (AMNA) and on a total-return basis (AMNAX).

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 Index℠
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