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.

The S&P 500 started last week with its biggest two-day rise since April 2020 before giving back some of those gains on Friday due to a strong jobs report. Last week, the S&P 500 index rose by 2% while the Alerian Midstream Energy Index continued its relative outperformance increasing by almost 4%.

The big event in the energy sector last week was the 33rd OPEC and non-OPEC Ministerial meeting held live in person in Vienna last Wednesday. The headline was that OPEC+ will cut production by 2 million barrels per day starting in November. The largest cut since 2020. The announced cut is based on the current OPEC+ baseline production numbers. For many of you who listen to this podcast regularly, you know that roughly half of OPEC+ is not producing at baseline levels. Therefore, the actual cut to the physical oil supply is approximately 1 million barrels per day. Saudi Arabia, Kuwait, and the United Arab Emirates will absorb a majority of the actual supply cut. Some are calling this action by OPEC+ a political move. However, recall that China who is the second largest consumer of oil in the world will likely experience flat to negative oil demand growth this year. Historically, annual oil demand growth in China has averaged around 600,000 barrels per day. U.S. oil prices rose by 11% last week on this news. In addition, after falling by over 20% during the third quarter, the national average price for unleaded gasoline will likely rise above $4 per gallon with the rise in crude oil prices.

As part of the OPEC+ press conference, the Saudi Energy Minister provided a chart illustrating a 1% rise in U.S. oil prices since January compared to a 76% increase in liquefied natural gas or LNG prices in France. France like much of Europe begins the winter heating season with record levels of natural gas in storage. Specifically, the natural gas storage level in France is at 98% of capacity compared to around 80% last year. Regardless, France launched what is being called the winter of energy sobriety as the government encourages wearing turtle necks to keep warm and other measures to reduce energy consumption. Paris, The City of Lights, will be turning off the lights at popular attractions like the Eiffel Tower overnight and government buildings will be heated to a maximum of 64 degrees in an effort to reduce energy consumption by over 10% this winter. Similar plans to reduce energy consumption are in place all across Europe. These actions taken by European countries are a reaction to Russia's decision to cut natural gas to Europe. All of this seems like a temporary band aid until a real solution can be reached. The real solution likely includes more LNG infrastructure and more U.S. LNG.

In company specific news, Occidental Petroleum and Western Midstream agreed to explore carbon capture opportunities. Specifically, WES is considering installing carbon capture equipment on its natural gas processing plants and gathering facilities. TC Energy announced plans to constructs its first solar energy project in Canada. Lastly, Exxon released its third quarter earnings considerations. The third quarter of 2022 saw declines in oil prices and refining margins as well as chemical margins relative to the record setting second quarter. However, Exxon did benefit from a doubling of European natural gas prices. Like much of the energy sector, Exxon's free cash flow yield based on its outlook is forecasted to be double digits in 2022 and 2023 which is over 2 times the free cash flow yield of the S&P 500.

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 **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).

Liquefied Natural Gas (LNG) is a natural gas that has been cooled to a liquid state for shipping and storage - the volume in this state is about 600 times smaller than in it's gaseous state, able to transport for much longer distances when pipeline transport is not feasible.

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

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