

July 2025

Welcome to another Tortoise QuickTake podcast. Thank you for joining us. On this podcast, we highlight what happened in the energy sector during the month of June.

Hello, I'm Rob Thummel, Senior Portfolio Manager at Tortoise.

We've reached the halfway point of 2025. And while we still don't have confirmation on whether Travis and Taylor are engaged, what we do know is that the S&P 500 closed at an all-time record high on June 30.

Meanwhile, energy, energy infrastructure, and utilities remain below their respective all-time highs. Yet, performance so far in 2025 tells a more nuanced story:

- Utilities are the third best-performing sector among the 11 S&P 500 sectors, returning 9% year-to-date.
- The S&P 500 is up 6% YTD.
- The energy infrastructure sector, represented by the Alerian Midstream Energy Index, has returned 5%.
- The energy sector, as measured by the S&P 500 Energy Index (dominated by commodity-sensitive oil and gas producers), is up less than 1% on the year.

June featured several important developments, beginning with the release of the Statistical Review of World Energy from the Energy Institute. It confirmed that global energy demand rose for the 40th time in the last 42 years—a remarkable trend. In 2024, global energy consumption reached a new all-time high, growing by 2.6% year-over-year.

The U.S. remains the world's largest energy producer and exporter. And it might surprise you that oil remains the largest fuel supply source in the world representing 34% of global energy consumption.

Oil dominated headlines in June due to rising tensions between Israel and Iran. Prices surged by 23% mid-month, reaching \$75 per barrel, as geopolitical risks intensified. The situation reminded the world of the strategic importance of the Strait of Hormuz, a 21-mile-wide chokepoint between Iran and Oman. Over 20% of global oil and 20% of LNG volumes pass through the Strait.

Iran threatened to close the Strait, which could have triggered a global energy crisis and pushed oil prices above \$100 per barrel. However, oil shipments continued without disruption, and a ceasefire helped de-escalate tensions by month-end. Oil prices subsequently fell to around \$65 per barrel, only 7% higher than where they began the month. For U.S. consumers, the result is welcome: gasoline prices heading into July 4th haven't been this low since 2021 during this time of year.

At Tortoise, we believe the energy sector is evolving—electricity is becoming the new oil. We're beginning to see clear evidence of this shift. According to the EIA's Short-Term Energy Outlook, commercial electricity sales, including AI data center demand, are projected to rise by nearly 5% in 2026—a significant acceleration from the historical average growth of around 1% per year over the past decade.

Energy infrastructure companies are taking action to meet this demand. For example, Williams received regulatory approval to build and operate a 200 MW natural gas-fired power plant in Ohio. The plant will be a behind-the-meter facility, supplying electricity directly to Meta's New Albany data centers, bypassing the grid. The plant is expected to be operational in Q3 2026.

In more company specific news for the month, Cheniere Energy announced plans to expand its Corpus Christi LNG facility, increasing export capacity by almost 10%. The company also issued a long-term financial outlook highlighting the company's high quality and long duration cash flows. Cheniere is targeting distributable cash flow growth from \$20 to over \$25 per share by the early 2030s. Cheniere reiterated plans to grow its annual dividend by more than 10% in Q3 2025.

In M&A, Plains All American will sell its Canadian NGL business to Keyera for \$3.75 billion. The deal will streamline Plains into a more focused crude oil operator, reducing cash flow volatility and increasing its free cash flow yield. Keyera, a Canadian infrastructure player, expands its NGL asset footprint and gains scale.

Finally, rumors of a potential Shell–BP merger have surfaced. If completed, the combined entity would have a market cap of approximately \$280 billion—less than ExxonMobil but more than Chevron. Both Shell and BP trade at valuation discounts to peers, so speculation around strategic moves to unlock shareholder value is not surprising.

Thanks for listening and have a great day!

Have topics you want covered or other feedback to share? Write us at info@tortoisecapital.com.

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