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Welcome to the Tortoise podcast. Thank you for joining us. Today, Tortoise provides a timely update on trending topics in the market.

Hello, I am Matt Sallee, Energy Portfolio Manager at Tortoise.

There was a lot of activity in the market last week so let's just jump right in. There were a couple of pretty noteworthy items I will start with before running through the deluge of earnings.

First, the DC Circuit Court of Appeals granted a stay on the district court's ruling that Dakota Access pipeline must shut down until the Army Corps of Engineers completes a full Environmental Impact Statement in place of the original Environmental Assessment which the Corp performed during the pipeline's construction three years ago. This means the pipeline can stay in operation during the appeals process unless the Army Corps determines otherwise. I've spent about 5 hours reading various legal experts' summaries detailing the different rulings, challenges, orders, requests, etc. this case can take from here and I think it would be irresponsible for me to provide an opinion on what's going to happen. Suffice it to say DAPL is clearly far from out of the woods despite a short-term win.

Meanwhile, across the pond, BP's new CEO, Bernard Looney, continues to push full speed ahead in its transition from independent oil company to independent energy company. With its quarterly earnings the company will bolster its balance sheet and investment flexibility by cutting its dividend by 50% and they put real teeth behind their net zero aspirations.

Highlights include:

- No oil exploration in new countries while forecasting a 40% reduction in hydrocarbon production by 2030
- Within 10 years they will increase low carbon investment 10-fold to \$5B per year
- This level of investment will lead to 50 gigawatts of renewables developed (20x their current level)
- Along with this they will roll out over 70K EV charge points

Beyond electrons they plan to invest in low carbon molecules with greater energy density:

- First growing their annual natural gas sales to 25M tonnes per annum
- Building an LNG portfolio of at least 30M tonnes per annum
- Reaching 100 mbpd of biofuels production
- And finally achieving a 10% market share in hydrogen which they will produce using natural gas combined with carbon sequestration and with wind and solar power when supply exceeds demand

Shifting gears a bit, we've talked about our Playbook for Midstream Management in the past. This is basically our "open letter" to engage with the management teams of our portfolio companies to achieve better equity returns through capital discipline, returning capital to equity owners, balance sheet strength and embracing ESG. We observed some notable progress over the last few quarters and most recently we've seen inaugural Sustainability reports from both Enterprise Products and Equitrans Midstream. These are a couple of the few remaining midstream companies in our portfolio who had not issued a sustainability report already. I thought EPD's report was particularly good so I'll hit a couple of highlights.

- Enterprise is the single largest exporter of liquefied propane gas, or LPG, and Chinese LPG demand nearly doubled between 2014 and 2019, primarily driven by domestic heating and cooking demand because in many urban areas, coal stoves were outlawed in favor of LPG to help improve air quality
- In India, the second largest LPG importer, over 200 million LPG bottles are now in circulation allowing the rural population to sharply reduce solid fuels like coal and wood as a cooking fuel which according the World Health Organization is one of greatest health threats to children in developing markets today.

- Thanks to access to cheap and lower carbon LPG and gas China and India have achieved over 50% improvement in their Human Development Index since 1990 according the World Bank – The services that Enterprise provides are truly making the world a better place TODAY
- The ethane they process, fractionate and transport are the building blocks for plastics that represents 15% of the material that goes into a wind turbines, not to mention it's the primary component in much of the personal protective equipment playing a key role in everyday life in 2020
- In terms of renewable energy, EPD already has over 16,000 solar powered monitoring stations across its network and the company got 17% of its electricity from wind and solar in 2019

Speaking of renewable energy; Williams held their Q2 earnings call last week and while the results beat estimates and they seem to be comfortably within full year guidance what I thought most interesting was their comments on new energies. First, they already have several projects bringing renewable natural gas into their existing pipeline network from dairy farms and landfills. They are also researching hydrogen and the potential to use the Transco pipeline system to deliver it into New York where decarbonized energy is a major focus. On this point, they view themselves as best positioned to provide this energy given their existing last mile connectivity which I think we can safely say will never be replicated based off recent challenges building new pipeline infrastructure. Finally, they are making investments across their assets to power the system with renewables. Beyond this, they see solar as a future revenue driver and are investing between \$200-400M in solar projects over next few years.

I'll wrap up with earnings as we are largely complete at this point. Overall earnings came in about 5% over expectations which was roughly flat year over year, shockingly and down slightly sequentially. In total we had 18 midstream companies beat earnings, only 4 miss with the balance in-line. All things considered not too shabby for an asset class that's still down 35% year-to-date. We did make up 6% last week outperforming the S&P by a healthy margin.

I'll leave it there for now. Thanks for listening.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com.

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The **S&P 500® Index** is an unmanaged, market-value weighted index of stocks that is widely regarded as the standard for measuring large-cap U.S. stock market performance.

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