

Tortoise QuickTake EnergyPodcast



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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, senior members of Tortoise provide a timely update on trending topics in the market.

Hello. I am Tortoise Managing Director and Portfolio Manager Brian Kessens with this week's QuickTake podcast.

For a welcome change, last week, all energy prices moved higher. Broad energy saw a gain of 2.2%, producers benefitted by 1.5%, and MLPs by 0.8%. Those stock moves followed crude oil that moved up 1.3% and natural gas that inched higher by 0.4%.

The U.S. Department of Energy's weekly report offered a mix of bullish and bearish data, though with no major surprises. Crude oil stocks were 2.4 million barrels higher vs. the five year average build of 6.8 million. Still mostly bullish given the shoulder season. Notably, imports surged by 721 thousand barrels, the third highest since October.

Arguably the biggest global energy conference, CERAWEEK, took place last week. Heads of government, industry and OPEC were in attendance. A few takeaways: the mood was more enthusiastic after last year's cautious optimism and 2016's gloom. Attendance was 15-20% higher and the food got high marks. I guess that's what a sustained oil price north of \$60 per barrel does. Depending on where you sit, that oil price optimism was tempered by the IEA expectation that the US alone will supply nearly 80% of demand growth globally over the next three years. Climate change also received a fair amount of discussion. Shell set a target of reducing the carbon footprint of its products by 50% by 2050. Finally, one analyst we sent noted it felt like a technology conference with oil and gas undertones. The industry continues to improve drilling efficiencies with enhanced drilling and completion technology and big data, while other companies look to breakthroughs in electric vehicles and battery storage.

Following the IEA's forecast update, three analyst days last week touched on the theme of accelerating U.S. oil production growth.

The biggest MLP, Enterprise Products Partners, held an analyst day. The company noted \$5.5 billion of capital projects and hinted more are to come. The projects support Enterprise's forecast of a meaningful return to supply growth. The company expects crude oil production to reach 13.2 million bpd in 2022. That's average growth of 640 mbpd / per year, mostly from the Permian and Eagle Ford. NGLs are estimated to reach production of 6.9 million bpd in 2022, an average march of 480 mbpd / per year. Where does all this production go? Enterprise noted the potential for 4 million bpd of crude oil exports and 1.3 million bpd of NGLs in 2022. Management also like their stock - buying back \$100 million of stock in the first quarter so far - reinforcing the theme of discipline, spending within cash flow, and returns-focused actions we saw throughout the earnings season.

The two largest U.S. energy companies also held analyst days, Exxon and Chevron. Notably, both highlighted Permian basin oil production growth. Chevron expects its production to reach 650,000 bpd by 2022, 150,000 bpd higher than its previous estimate. Exxon expects its Permian production to quintuple by 2025. Exxon noted its shale oil economics are even better when integrated with its downstream operations. Consequently, based on production growth, the company is adding 400,000 bpd of light, sweet crude oil capacity at its Gulf Coast refineries.

If you routinely listen to our podcasts, you no doubt hear the Permian basin mentioned week after week. The large majors are now not only paying more attention to the basin's potential, but acting on it. To put some more numbers to it, estimates are that \$45 billion will be spent on oilfield services in the Permian basin in 2018, a peak, topping the boom year of 2014 by \$15 billion. Globally, that \$45 billion represents nearly 20% of all oilfield service spending. So don't be surprised when you continue to hear more about it.

Energy investors got their fill of analyst days and conferences last week. This week many are on spring break and others will be cheering on their college colors during the start of the NCAA basketball tournament. And Saturday marks St. Patrick's day which Adrienne Cook noted "is an enchanted time - a day to begin transforming winter's dreams into summer magic. CERAWEEK felt like the energy transformation is continuing to brighter days ahead.

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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