

Tortoise QuickTake Energy Podcast



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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.

The energy complex eked out gains across the board last week, with MLPs up 0.90%, broader energy higher by 1.5%, crude oil increased 1.2% to \$69 per barrel, and natural gas moved up 2.8% to \$2.80 per mcf. Natural gas liquids achieved even higher gains, up 3.9%, led by ethane moving to \$0.55 per gallon. Note two weeks ago, ethane prices stood at \$0.40 per gallon, and a year ago, prices were just half the current level. We expect ethane rejection to fall following these elevated prices, benefitting midstream companies with NGL infrastructure. Expect significant commentary on this topic during the third quarter earnings season.

There were a few other items of midstream interest last week.

Targa Resources announced a small divestiture, continuing a trend we're seeing in midstream. Targa sold its refined products and crude storage terminals in Tacoma, Wash. and Baltimore, Md. for \$160 million to ArcLight Capital Partners. Targa will use the proceeds to invest in higher return growth projects, with the sale alleviating an equity need. We expect these non-core asset sales by strategies to private equity to continue.

Next, export capacity expansions continued last week. Domestic NGL demand growth has slowed below the rate of production growth, with all additional volumes being exported. Following, Enterprise Products announced its export dock will add 175 mbpd of loading capacity. The dock will have the ability to load a Very Large Crude Carrier in just three days.

Finally, Kinder Morgan reportedly hired an investment bank to explore a potential sale of its Canadian business.

Unfortunately things don't always go as planned in energy infrastructure. Last week there were multiple explosions reported in the towns of Lawrence and Andover, MA that resulted in one fatality. Apparently, the explosions occurred after too much natural gas was pumped into a section of pipe owned by Columbia Gas. We expect more details following an investigation by the NTSB and the Pipeline and Hazardous Materials Safety Administration or PHMSA. Columbia Gas of Massachusetts is one of seven regulated utility companies owned by NiSource. NiSource committed to complete replacement of the cast iron and bare steel pipeline system in the affected area with plastic distribution mains and service lines with modern safety features.

Hurricane Florence hit the coastal Carolinas late last week and the expectation is for continuing rain showers - so unfortunate for residents in the areas hit. From an energy perspective, the biggest impacts are widespread power outages with over 1 million residents without power. And given the high winds, repair times will be longer than usual as it's difficult for utilities to put crews in bucket trucks to start fixing lines until the high winds subside.

In broader energy, buybacks were a strong theme. Refiner HollyFrontier announced a \$1 billion buyback representing 8% of its market cap. Liberty Oilfield Services announced a \$100 million buyback or 4% of its market cap. Finally, Devon Energy announced it will repurchase \$500 million of stock prior to its 3Q earnings call.

It's now been 10 years since the global financial crisis, when Lehman Brothers filed for bankruptcy and the foundations of our economy were put to the test. A lot has happened since then, and in particular within energy, we've talked a lot about US oil production growth. So this moment has been coming for a while, and this week the EIA made it official. The US has

overtaken Russia as the largest crude oil producer in the world, currently producing near 11 million bpd. That's more than double production levels since the financial crisis. Quite an astounding achievement!

This week we'll hopefully see power outages resulting from Hurricane Florence turned around. On oil, along with the weekly inventory report, OPEC is holding a joint technical committee meeting. We may see some rhetoric on production levels and support for the oil price. After all, Brent is now near \$80 per barrel, the highest price we've seen in over a year. More on that next week.

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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