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**Matt Sallee:**

Hi, I'm Matt Sallee. Welcome to the Energy Quick Take Intent with Tortoise. I'm joined here today by John Price. And John, your role.

**John Price:**

I'm John Price. I'm a junior analyst here at Tortoise Capital. Excited to have a good conversation.

**Matt Sallee:**

Yep.

**John Price:**

I think just starting off, Matt, curious to get your latest thoughts on the conflict. What's been going on in the Middle East?

**Matt Sallee:**

I'll tell you what has really happened over the last week is an escalation in the infrastructure attacks. So we had seen oil fields and gas fields hit. Now more recently, what we've seen is the actual physical infrastructure. So terminals, we actually saw some tankers that were hit. Refineries have been hit in Saudi Arabia, UAE and Bahrain. I believe there's probably more, honestly. And then a pretty big escalation this week with the attack on the South Pars gas field that's owned by Iran. And they responded by hitting the largest LNG export facility in the world, which exports is responsible for about 10 billion cubic feet per day, which to put that in perspective, the US exports a little north of 15 now as a country in total. So this is one facility. I'll put you on the spot. You had a funny stat you were telling me about that you read on the airplane on the way here about when that facility was completed and cost and the estimated damages. Yeah.

**John Price:**

I was reading this morning that the facility was completed two or three years ago and they spent 26 billion on it. And they came out this morning to Reuters and basically said the estimated damage puts them back three to five years and will cost roughly 20 billion.

**Matt Sallee:**

Pretty crazy. Probably the single most, if I had to pick one, this is my opinion, but I don't think it's all that out there. That's probably the most disruptive attack or infrastructure hit in this whole conflict so far. The fact that they believe it could be down for, well, 17% of the capacity I believe is what they said for three to five years. That's pretty disruptive. And we saw it probably most acutely in European LNG prices, but obviously crude's been volatile, LNG has been volatile. What's been interesting to you? What are your observations around recent price moves?

**John Price:**

Yeah, so prices are up across the board. I would say the most interesting observation that I've seen is the discrepancy in physical pricing across the world. So in Asia, specifically in Middle Eastern countries like Oman that we use as a proxy for crude prices there, you're looking at things soaring. Whereas in the US, WTI prices have actually remained relatively stable. I haven't seen today, but we were sort of in that 80 to 90 range for most of this week. And so it's interesting in the physical market, the actual difference that we're seeing and where the demand is there. The other thing that I'd mention is on the refined product side, if you look at refined products in Asia or in Indonesia specifically, gasoline prices have nearly 2Xed since the beginning of the conflict. So you're also seeing pain there. We've kind of talked a little bit about this, but curious to get your thoughts sort of after the conflict wraps up, where do you see the state of things? What's sort of the new normal in energy markets?

**Matt Sallee:**

I'm going to touch on something you hit before, before I shift gears. You mentioned Asia prices. I mean, Asia is probably the hardest hit. Obviously Europe's pretty hard hit from higher prices recently. Asia, I was looking, the Oman crude grade that you mentioned that's a proxy for Asia went from, I think it was about \$70 before the conflict broke out. It closed today at \$170. I mean, you think our prices are up a lot. They're up almost \$100 a barrel in Asia. So you're really seeing, and that's a function of there's a lot of Middle East product, that's where the majority of Middle East oil and gas go to Asia. So you're really seeing a price impact. But anyway, back to your question, what happens when we achieve a ceasefire? So I was looking today, this is kind of done, but I think it's interesting looking at the predicted odds of when we will have a ceasefire.

And I took June 30th, the odds of a ceasefire by June 30th are currently pricing basically 50%, which two weeks ago I would have said, no way, that's crazy. But now, I mean, that feels like it may be high the way things have escalated this week. So it doesn't seem like we're close to a ceasefire, but at the point that that happens, there's still a lot that needs to be done to really fully bring back supply. I think it's going to be quite a while. You've got hundreds of ships that are trapped in the Persian Gulf. Obviously, that number is basically, they're just sitting there and I've seen pretty wide ranging estimates and I think that's a function of a lot of the ships have turned off the trains bonders for safety's sake, but the punchline is there's a lot of ships just to clear out the log jam, if you will.

Workers have been obviously cleared out of the area. I believe Schlumberger and I think maybe Exxon have publicly announced that they've demobilized workers. I know Schlumberger has, but nonetheless, I think it's safe to assume all the oil and gas workers in the area or really all workers have been moved out of harm's way to the extent possible. You have to remobilize all those people and you're not going to do that until you're sure that the ceasefire's going to stick. So I'd say that part could take quite a while. And then the longest, the physical infrastructure, what's really the escalation that we've seen over the last few days, I would guess that's going to be the hardest. I mean, maybe that's stating the obvious. Yeah. That's going to take the longest to bring back. You mentioned the, I believe it's pronounced Ras Laffan, the LNG facility in Qatar, \$28 billion. Is that what you said it cost or 20 billion of repairs needed?

**John Price:**

Yeah, 20 billion in repairs needed.

**Matt Sallee:**

And they're estimating three to five years to complete that potentially. I mean-

**John Price:**

20% of the world supply just offline.

**Matt Sallee:**

Yeah. Yeah. It's pretty wild. Now, we have obviously taken some steps or globally, there's been some steps taken to help alleviate the shortage of crude oil in particular, the coordinated SPR release, I guess, which before we go there, I saw the first week energy aspects showed that global oil inventories, the first week of the war basically from March 1st, or call it roughly the first week to the seventh, we're down a hundred million barrels globally. So I mean, pretty massive disruption. We've released some. How much did we release? Put it in context for us.

**John Price:**

Yeah. So the release announcement was for 400 million barrels. That's spread out over a couple months. So it'll take a while to actually get that flowing. Asia will respond first and US inventories will be emptied later. The US is responsible for, call it 170 million barrels of that release. So they'll be helping a decent bit. Although putting this in the context of the broader disruption and to your point, some of that energy infrastructure being destroyed, if you use say that 100 million barrels in inventories, they were sucked the first week and just for easy math, let's say 20 million barrels a day are offline. The 400 million barrels is only 20 days worth of supply that we're putting back into the market. On top of that, you have the restrictions of flow rate, which is how quickly can we actually pull the oil out of the reserves.

And there are different estimates there, but for the most part, we're looking at maybe between two and six million barrels a day, depending on how quickly we're operating things. So it's not like all of that oil can flood the market and save things immediately.

**Matt Sallee:**

I think that's underappreciated, the fact that it can only get out so fast because I think it's logical to think why not just drop all 400 million barrels on the market right now. Well, that's not reasonable.

**John Price:**

But obviously it speaks a lot to the US having a strong domestic infrastructure, supply infrastructure position. It's sort of helped shelter us somewhat from it. We'd love to get a little more from you on that piece of things.

**Matt Sallee:**

Well, yeah, just to emphasize your point earlier, WTI is still below \$100, whereas Asia are at 170 and obviously we are, and our natural gas price has barely moved, whereas Europe's is a pretty massive amount. I think it's 80, I'll probably get this number wrong. I think it was about 80% month to date for European gas. So they're feeling a lot of pain. We are not. And why is that? Because obviously we're self-sufficient. So I think we've talked to ad nauseum about this to the market, but it's no secret that yeah, we're self-sufficient and not only are we self-sufficient, but we're exporting a significant amount of crude oil and gas and products to the rest of the world, which pretty crazy to think about what prices would be globally if we weren't exporting 18 billion cubic feet per day of natural gas, excuse me, and seven plus million barrels of oil.

I mean, we'd be talking about \$200 oil everywhere probably, which it wasn't that long ago when we were importing 10 million a day. So pretty big change, really highlights the value. And we saw that in the marketplace today with the price reaction as US companies they're able to export our beneficiaries, sadly, it's obviously terrible what's going on, but they are beneficiaries. It really highlights that we're blessed as a country to have our robust supply and robust infrastructure network. But for energy, I'll leave it there, but talk about what uses a lot of energy. I'm going to pivot a little bit. John just got back from San Jose. I don't know how I always get sent to Houston or somewhere like that, but John's hanging out in Northern California. Why were you there? What were your takeaways? Whatever resonated with you.

**John Price:**

I was out in San Jose for the GTC conference that Nvidia hosts every year. It's a week long event, basically where they bring in the entire AI ecosystem and talk about how different parts are working together. Of course, coming from an energy background, I went into it with an energy lens and a few things I would note, the biggest takeaway is that power is identified as a key bottleneck by pretty much everyone there. And these are a lot of tech guys. I was talking to coders that work on the software side and had an idea of the power story. I also say that those were the most well attended sessions talking about how we're going to get power and then how we're going to properly transmit that power through electrical infrastructure into data centers. So that was pretty neat. The second thing that I would note is there is a movement within data centers toward an 800 volt infrastructure on the electrical side.

And there are a whole bunch of advantages to that, but effectively talking to the engineers, we reach a point where the amount of copper required to make a server work and make a data center work becomes too much and the data center can no longer function the way that it normally does. And so these companies are starting to look at copper alternatives and one of those specifically is optics. On the optical front, networking has typically sat outside the data center. It's helped connect different data centers together and help connect us as end users of the platform to data centers, but they're now moving that inside of the data centers, so a lot of need opportunities for those companies.

**Matt Sallee:**

Cool. Yeah. And I'll brag on you a little bit, or our team identified pretty well exposed names, and we bought those what, a couple weeks ago? Yeah. Well, last Friday, I suppose. Those have played out pretty well, but this intersection between AI infrastructure and the need for energy, you really have to understand AI to be accurately forecasting energy demand going forward. So if you would have told me that our team would be at the NVIDIA conference even a year ago, I would say that's crazy, but sure enough, I think it's really helping us understand the whole picture. So I'm running longer than I intended to, so I'm going to cut it off there and thanks for tuning in. Thanks.

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