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**Thanks for joining us today on the Quick Take Podcast. Hello, I am Matt Sallee, Head of Investments with Tortoise Capital.**

## **Rob Thummel**

Hello, everybody. Welcome to the Tortoise QuickTake for our podcast. And we're doing a little special edition this time. But most of you know me, I'm Robert. I'm a senior portfolio manager here at Tortoise. And I'm joined by Hunter Wilcox. Hunter joined us a little over a year ago, actually a couple of years ago. And he's been covering securities for us and oil and everything.

And what I think all of you need to know is obviously, you all know James, Matt and Brian and I, and collectively we have over a hundred years of experience managing multiple economic cycles, multiple commodity cycles. But we are supported by guys like Hunter, and John Price. And we have others on our team that are up and coming and, and we really enjoy their perspectives.

And so today we're going to get Hunter's perspective on probably an event that everybody's aware of, over the weekend. And obviously that is the Iranian attack or the U.S attacks, on Iran. And then where we are today, specifically to the oil market. So, Hunter, why don't you just get up to speed what happened over the weekend?

And then we'll go we'll go from there.

## **Hunter Wilcox**

Sounds good. Rob, so what happened here this past weekend? You guys probably know it's a pretty evolving situation, but just kind of a recap. On Friday, Trump talked about the Geneva talks being not too productive and he was kind of disappointed at the end result. So he quickly said there would be some action taken. And within 24 hours Saturday morning, Israel and the US struck Iran.

They struck it very quickly. They took down a lot of military nodes. It took down some airfields from drone and missile sites, as well as it took out senior Iranian leadership. Iran didn't like this. They announced that they're going to be striking immediately. And they announced multiple strikes on Gulf Coast, regions where a lot of the US military bases were located.

They quickly respond to that. Moving on to Sunday, a lot of vessels stopped passing through the Strait of Hormuz, which is at, the choke point between Iran, which they can control. It's about 20 miles wide. So it's a pretty small strait. But Iran is kind of threatening that time, kind of threatening that region right now. And a lot of vessels don't want to pass through it.

So we saw vessels drop from 57 crude tankers and now gas vessels on Friday down to seven. So the street was about to be closed during this timeframe, which is really, resulted in the commodity market going crazy because Brent today has now closed up about 7% from its Friday close and is now around 70, 78, \$79. And it's up 30% year to date because of this geopolitical risk coming in.

## **Hunter Wilcox**

And then also looking at LNG, the ag market has really skyrocketed as, as Qatar announced that they're taking off about 20, taking off their LNG production, which does about 20% of the supply for the total. Global LNG trade. So that resulted in TTF jumping up to €45, is now up about 50% today.

## **Rob Thummel**

So 20% of the global oil supply goes through the strait, as you highlighted, 20% correct to of the global LNG production goes through the strait. So it's really important infrastructure. And I think that's really the why don't you one of your major points is some of that infrastructure really wasn't damaged, but it but the ships weren't able to get through.

For what reason do you think?

## **Hunter Wilcox**

Well, the reason is just fears of potentially being struck, because just recently today, one of the officials of the IRGC came out and said that they would be striking any vessel that passes through there. So interest rates are spiking significantly. And in fact, interest, not interest rates. Insurance rates are jumping up very significantly. And on March 5th, they said they're going to no longer be insuring vessels going through that area.

So a lot of vessels do not want to traverse this dangerous water.

**Rob Thummel**

So much, much higher shipping costs, higher commodity prices. So where do we go from here? What do we think? What do we think is going to happen here. And let's just take both ends. Let's just talk about oil first. But work at oil prices go depending on what happens from here.

**Hunter Wilcox**

Yeah that's a great question. Oil could honestly go up to 90 or even over \$100 a barrel. If we see the Strait of Hormuz being shut down for two or 3 or 4 weeks because of that, 20% of global crude passes through there. Should that happen? A lot of inventories to start drawing. You'd see a lot of offshore and entre inventories drawing.

And then this would really, honestly crush a lot of that oversupply narrative everyone's been talking about because balances would tighten up significantly because of that. And that is what would push up all of that crude. Come on.

**Rob Thummel**

Has the Strait of Hormuz ever been closed?

**Hunter Wilcox**

No, it has not been closed before.

**Rob Thummel**

So that so that's good. How about natural gas? What do we think? European natural gas prices do? We have an idea of where those could go if Qatar and maybe many, many find a little bit about how important Qatar is to the global, natural gas supply. And the global LNG supply.

**Hunter Wilcox**

It's extremely important as it produces about 20% of the exports for the whole entire globe. If they are again, why now no longer able to export LNG? You can see this, 45-year-old price go to 50, 60 or 70 if this keeps on going out and it'd be very impactful, especially considering the fact that the U.S. energy already has about 95 to 96% utilize.

There's not a lot of excess capacity in got there. So you're going to see a lot of prices just skyrocketing, and it's going to be pretty unaffordable for, the EU and Asia I think most of the country.

**Rob Thummel**

And that's perfect. So we obviously everybody knows this. Of course we invest in energy equities. We've been investing in energy equities for my entire, two decades here and for me personally, three decades. This is a unique event. But, obviously this doesn't happen very often. And so maybe you can just shows how the equities respond today and what did.

Well, I guess what did well, maybe what didn't do. Well, today as a result of the events over the weekend.

**Hunter Wilcox**

Yeah. So the equities with it really good today I would have to say. Right. The more so commodity linked equities. So any type of LNG exporter that has that exposure to that spread between GTF and Henry, those guys have done really well because of the shutdown. Oil imports and integrate and are also doing really well because they're very exposed to this crude, commodity price that's up about seven, 8%.

And then finally, refineries are also starting to catch a little bit of a bid because today, one of Saudi Arabia's refiners was strike, which took off, which will take out some diesel and jet fuel oil supply. So this will allow those margins to really expand and refiners will.

**Rob Thummel**

Benefit from this. Yeah. That's an excellent job situation. I actually would have thought that potentially refiners would have underperformed a little bit today because oil prices went up. Maybe the gas we don't in the US. I don't think anybody wants gasoline prices to go up anymore. So who's going to suffer potentially would have been refining margins.

But as you highlight, because, one of the largest refineries in the world and Saudi Arabia was hit the perception of lower gasoline inventories globally that are available, I guess, push the, the need for more, U.S. refiners to produce even more maybe. What does it say about the U.S. is ability to basically be energy net independent?

**Hunter Wilcox**

It's, it's a great thing. We're very energy and net dependent because this is all going on in the Middle East and impacting EU and Asia. But the US has no concern whatsoever on this front, because a lot of our refiners run that heavier crude site. So, we are pretty much seeing minimal impact whatsoever because we have our own oil and we have a lot of our own net gas.

So, and we're also a net gas exporter like Qatar shutting down is not an impact on us whatsoever because we are one of the largest coal producers of energy. So largely we're in a pretty good place by being as hard as we are.

**Rob Thummel**

And what natural gas end up trading at the day in the US? You remember three bucks. I'll help you. Yeah. The point is, is natural gas in Europe, they're probably paying five times that. They're probably between 15 16, 17 dollars of consumption of natural gas.

Yeah. We're paying \$2. I had advantage. I had the opportunity to cheat because I had some interviews earlier that I had to look under. I didn't get that chance, but. So, they're paying five, six, seven times more natural gas than us. And to your point, the US is, net energy independent for natural gas. Actually, we have so much natural gas produced in the US that we can export it.

Maybe just to, to wrap things up a little bit. Sure. You know, how were the how was the US able to be in this position to be a net energy independent for natural gas and to a certain extent, that energy independent from an oil perspective? Yeah, we end up.

**Hunter Wilcox**

In this position because around ten years ago we thought we were going to need a lot of that gas coming in here. That's why it's being passed, became very popular. We're expanding that. But then we had some pretty sizable discoveries of that gas themselves is very, produces a lot. And then the geo our ratio is in the Permian started increasing pretty rapidly as well.

So, we have a lot of that gas has allowed us to then turn these into export facilities and sort of import facilities. So that's kind of where we have some of the gas commodities and then crude from outside of Permian, just as a gift that keeps on giving. We keep on getting more and more production every single year.

It was projected it was going to be flat for 2026. A lot of ANP guys were saying the commodity market wasn't looking too good, but they're going to continue to produce a little bit more if we see a sustained crude, price level. So, we have a lot of gas, we have a lot of crude.

If I can keep driving a lot of our equities and amps and midstream higher.

**Rob Thummel**

So I think what that says to me is and that's a great answer under I think what that says to me is, look, the U.S. shale industry, us in the US, need to show a lot of gratitude to the U.S. shale industry and the and the energy industry because we become net energy independent. And when we have significant events and geopolitical risks, like we saw, over the weekend and we probably will, and we'll continue to see, we'll be able to keep consumer prices lower, and keep energy prices lower and do things like, you know, win this big global race for AI because of 100 you call.

So, Hunter, it's great to have you. I'm looking forward to interviewing a little bit more about other things. Hunter's a fantastic resource. He covers oil. He covers individual companies for us. And you'll hear more from him in our upcoming podcast. And for everybody who's joining, thank you for joining us for this QuickTake podcast, and we look forward to talking to you soon.

Have topics you want covered or other feedback to share? Write us at [info@tortoisecapital.com](mailto:info@tortoisecapital.com).

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