

April 17, 2026

Brett Wright:

Right. Welcome everyone. I'm Brett Wright. I'm Chief Revenue Officer for Tortoise Capital Advisors, and welcome to the Energy Quick Take in 10. And I'm joined today by ...

James Mick:

James Mick, Senior Portfolio Manager.

Brett Wright:

Great. James, great to have you here.

James Mick:

Thanks.

Brett Wright:

There's a lot to talk about right now.

James Mick:

As usual.

Brett Wright:

Middle East, commodities, crew, natural gas. And what I most appreciate about you is your ability to separate the noise from the signal. And I want to connect what's happening in the market to what matters most for investors.

James Mick:

Right.

Brett Wright:

And I thought today we spent a few minutes and go and focus on three things. I'd like to talk about the delays in the Middle East and what it means for the commodity markets.

James Mick:

Of course.

Brett Wright:

Second, I'd love to hear what the forward curve is telling us about the crude.

James Mick:

Okay.

Brett Wright:

And third, why natural gas be telling a different story right now? And James, let's start right at the top. When you look at the latest developments in the Middle East, what matters most for the commodity markets today?

James Mick:

Yeah. Well, let's reset a little bit where we are. So last Tuesday, 8PM Eastern, we had a ceasefire, which we came to, which was great. Good to see. However, I would say JD Vance described it as fragile, which is probably an apt term. And I think the reason for that is there's some disparate groups right now within Iran. The structure is a little bit tricky to discern who's leading. I think it's the Islamic Revolutionary Guard Corps (IRGC), but it's not entirely clear. So the ceasefire takes a little bit of a while to kind of get going, if you will. And in the interim, there's noise and there's just events that are taking place, which makes it complicated. Now, that's it. We had the ceasefire. We go into talks over the weekend. Vance is there. They break down. And then all of a sudden you come out on Sunday and it's like, oh boy, we didn't get what we wanted.

They didn't get what they wanted, so everyone kind of walks away. Now good news, the ceasefire's still going, but we opened up a block eight on Monday of the Strait. So the problem was is when Iran decided to open the Strait, they only

opened it to ships that were actually friendly to Iran and not to the US or Israel. So that created a problem, as you would expect.

Brett Wright:

And remind people as well, how many ships are going in pre-closure and where it is now?

James Mick:

Close to 100. Wow. Pre-closure on a daily basis, not all crude and products, but still close to a hundred total ships. And now we're at like two. So that dramatic drop obviously has a huge impact. So we end up where Iran says, "Hey, we're not going to allow all ships to go through." The US is like, "Well, that's not really opening the Strait." So then we decide to impose a blockade on their blockade. And that's where we are. That started Monday. I would say successful is a tough term here, but I think ultimately it's about trying to exert pressure on Iran and take away their source of income, which was the crude that they were shipping through the street, which makes sense. Now will it work? We don't know. It's going to all be about how much pressure can be exerted from the various points.

I think there's some reason to think that we could be optimistic about this work.

Brett Wright:

Right. One last quick question. And wasn't there a little bit as well as a pause in the vouchers giving for the transshipment of oil for the Russians and the Chinese as well?

James Mick:

Correct. Yeah. So that was a big thing. So Iran was allowing that to occur, but they were also charging a toll, which was interesting. And so the US is effectively trying to say, okay, any ship where you've paid Iran a toll, we're not going to allow that to happen or to go through. Which that's our way of, again, trying to take away their income source. Wow.

Brett Wright:

All right. So let's then-

James Mick:

It's a lot going.

Brett Wright:

That's helpful content. Let's narrow that aperture a little bit. Let's look at the future curve today because I don't know what's that telling us about crude markets and what should investors be paying attention to beneath the headline and price action because one thing we're talking about, this is one of the greatest oil and energy shocks in history

Brett Wright:

Yesterday in the Wall Street Journal, I saw a new high in the markets. And bring that down to crude, why this discrepancy in terms of the backward-ization that's occurring right now?

James Mick:

I think one word is complacency, honestly. So let me take you back and let me give you the numbers of the curve and the structure. So you're right. So before the war, the curve looked like this. It was just dead flat. \$62, \$63, right in that range, going out to five years. And I think of everything in like a three-to-five-year window because that's how investors price the exploration and production companies. They price it on the average of the five-year curve for the strip. So before pre-war, \$62. Okay, that's probably fair. But again, a flat market. All of a sudden the war starts, you go into the steep backwardation where the front months are very high and the outer months are lower, but the average right now as of today is only about \$70 in that five year forward curve. So I mean, from a perspective, yes, it's up \$8, that's what, maybe 13, 14%, that's decent. But from our perspective, I don't think that that's enough. There's signals that that's sending that I think are problematic. And I think from a standpoint of what we've seen on the curve, we would have expected more is the bottom line.

Brett Wright:

And then you said that word very emphasis is on complacency.

James Mick:

Yes.

Brett Wright:

What kind of demand destruction are we talking about to start to self-adjust for that type of disruption to the global supply?

James Mick:

Well, I think that's part of the problem, right? And so if you think about what the world is doing, we're going to release 400 million barrels of oil from strategic petroleum reserves. The US is 172 million of that. To put that into context, the US is currently at about 410 million barrels a day. We've released maybe five of that 172. If and when we release all 172 million barrels, we will be at levels that we have not been since 1981.

I mean, dramatically different, right? And by the way, we started the SPR in mid 70s. I mean, this is uncharted territory where we're going here in terms of the amount of inventory that we will be in terms of lower inventory. And the rest of the world is going to be in a pretty similar situation. So what you're seeing is you're seeing a replacement right now of barrels that are no longer on the market. The numbers are all a little bit all over the place and they actually grow over time. So right now you're looking at shut in production of anywhere from eight to 12 million barrels a day out of the Gulf. So let's say that's 10 million barrels a day. We're on day 48, I believe, of this conflict. So you're looking at ... Now, not all of that time have we been at 10 million barrels a day, but let's just say that 400 million divided by the 10, that's 40 days.

Wow. 40 days is all it would take to effectively wipe out that 400 million that we're releasing into the market. So that said, it doesn't take very long. Hence, my view, the market's complacent, right? It's complacent because of that. That's one data point. Second data point, which I think is also interesting, which you brought up, S&P 500 pre-war to now is positive and is actually at all time highs. And energy, very slightly positive, but not as positive as the S&P 500, interestingly enough, and midstream, funny enough, is actually down over that time period, which doesn't really make any sense to me, for sure. So those are some of the data points I think that supports that complacency argument that I'm making. And to put one final point on that, if you think about where that crude curve needs to be in our view, I think 75 is a number that it needs to average to incentivize production and we will need to incentivize production in particular when this ends to bring those supplies back up to a more normalized level.

And sorry, one more thing. On the \$75, it only takes you right now one year to get below \$75, just not enough, right? We need higher prices for a longer period of time to incentivize that refill of that inventory levels.

Brett Wright:

I got one last question before I do, because we use complacency. The one person's not so complacent is my wife when she goes and fills up the gas tank every month. You and I are talking a little about the complacency or the notion of inflation and how we adjust within our gas price. Talk a little bit like that. That was very fascinating.

James Mick:

Yeah. Yeah. So I think one of the things that's really interesting is, I think as a group and as a society, when we see higher prices, we talked about when you go to the grocery store or you go to a fast food restaurant and you see what used to cost maybe \$4 is now like \$7 and you're like, oh my gosh, inflation, that's terrible. That's terrible but what we don't do is we never inflation adjust the crude price because we see and we hear, we're like, "Oh, well it's \$90 right now." And we think, well, I remember when it was 70 or I remember when, but we forget when it went to 120 in 2022 when Russia was invading Ukraine, we forget that it went to \$147 in 2008 during the height of the GFC. So we never inflation adjust that number, even though we've had a ton of inflation since like 2008 or even 2022. So I think there's a misperception out there about the crude price because in our minds we never inflation adjust that value. Okay.

Brett Wright:

Well, let's finish your last question. That makes a lot of sense and appreciate it. As we start to narrow that aperture one more, let's talk about natural gas. Yeah, seems to be telling a different story right now. Help us understand that situation a bit better and why the collapse of prices right now.

James Mick:

Right. And I think this is probably one of the more interesting components of the market because to your point, natural gas is actually down since that timeframe, since the war started. So two things. Number one, a very warm into the winter across the United States. And we are dealing with more of what I would call a localized market. So normal seasonality.

James Mick:

Exactly. Some seasonality, but also just, I mean, we would have expected colder weather. We didn't get it. Hence, we get a lower price because we just have a little bit more inventory than what we would have had otherwise. The other component though, and this is the most interesting part, so if you think about commodities and when they're trying to price, they're really trying to price to move, right? And in this case, what you might expect is you would say, "Well, what if another country were to come in and bid up the price of natural gas to incentivize it to move versus where it is right now?" That would normally be the case. The problem is that we're basically maxed out on our capacity to export right now for the time being. Now we have more plants coming into service over the course of the next three to five years, but not right now.

So as an example of that, it's very hard for another country or countries to come in and bid up our price because there's really no ability for it to move any further than what it is right now and no more than what it is right now. So you either need a change in weather, which certainly could happen, but we're entering a period that would be spring, probably not the most natural gas usage in terms of higher numbers. And then secondly, as you think about it, we need these new facilities to come on. Now, if you contrast that price with the international price, it's anywhere from five to six times higher than where we are right now in the US. So there's a high incentive around the country to get more around the world to get more natural gas there in the form of LNG. We just simply don't have the ability to do so.

So we either need to have lower production or we need some type of weather event in order to change that natural gas dynamic in the short term here.

Brett Wright:

Okay. So let's do the big fish here. Talked a little about the front end, current situation, Middle East and the embargo. We talked a little bit about crew, talked about natural gas. Where is investors oversimplifying the picture and we'll finish there?

James Mick:

Yeah. I think going back to that complacency argument, I think people are oversimplifying how fast this will end and then secondly, when it ends, how fast production comes back. And so that's a question that is going to be very difficult to answer. The longer this goes, the more shut in fields you will get in the Middle East, the harder it will be to bring those fields back at 100%. They lose pressure. It's just some of them have some water cut issues. It just becomes more difficult to bring that back. Now, to that end, how do we get out of this, I think is ultimately the question. And I think as we look for it, look forward, what we're really seeing or expecting, it seems hard to find a scenario where the US wins and win in this case, meaning that we walk away feeling that we've really won this situation.

It also feels hard to envision a scenario where Iran wins. That really just kind of leaves you with some type of a negotiated settlement at the end of the day. And I think that's where we'll ultimately end up. The question is, how far do we have to go time-wise and what are the things that we're requiring of Iran and mostly related to the enrichment of the uranium, how far do we have to go in order to get that? And I think that's going to ultimately dictate what that means for supply, what that means for demand, and what it means for price, and then that should dictate a little bit more on the crude and in terms of the stocks and how they'll react.

Brett Wright:

Sounds like a great place to finish and strong and come back to next energy take in 10. Thank you everyone.

James Mick:

Thank you.

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

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