October 6, 2026

Matt Sallee (00:35):
Hi, welcome to the Tortoise Energy Quick Take in 10. I'm Matt Sallee, head of investments.
Braeden Gambala (00:41):
And I'm Braeden Gambala. I'm an analyst here at Tortoise.
Matt Sallee (00:44):
Braeden's going to ask me some questions about the last, just what's been going on in energy recently. So with that, Braeden, I'll turn it to you.
Braeden Gambala (00:52):
Awesome. So Matt, it's been an interesting year for the markets. There's a lot going on geopolitically. We recently just got our first rate hike from the Fed in three years. What are you making of the markets these days, just broadly?
Matt Sallee (01:04):
I'll tell you, I was looking back over just the last month, but more so the last quarter and reflecting on what's happened and it's been a rough quarter. If you look at oil, WTI Crude Oil started the quarter at about $70. If you remember, we had a ceasefire going in the Middle East. Oil finished up a little over $90. So we gained about $20 during the quarter. At the same time, the 10-year yield moved up, believe it or not, 90 basis points, which I double checked that a couple times, but that is indeed correct. So big move in rates. And then as you mentioned, the Fed increased rates for the first time in three years, which if you remember, I look back and sure enough, my memory's not so good these days, so I double check things. But we went into the year expecting two rate cuts.
(01:56):
Instead, we are getting rate increases. Probably going to get another one this year. We'll see. But if you just look at forecast, that's the expectation. So the market's definitely seen some curve balls throughout the year and during the quarter as well. The other thing that's funny, if you look back late last year, the Fed cut rates three times. So I probably wish we could have those back, but nonetheless challenging market. When you look at how the S&P performed for the quarter, this is an environment that's actually pretty good for energy. So energy was up just shy of 20% in the quarter, so pretty strong performance. On the flip side, if you look at rate sensitive sectors, not so good in particular for utilities, which really had a difficult quarter and down roughly 12%. So tough quarter.
(02:49):
I'd say overall still as we look at the performance for the year, it's kind of amazing. The S&P is actually positive. I believe about 12% if memory serves, dealing with what's going on geopolitically. Obviously the oil prices, as we talked about, higher rates and a lot of the same factors I talked about for the quarter, but pretty challenging environment. Nonetheless, decent for energy up north of 40% year to date for the S&P energy sector. Again, same story on the bottom end, anything that's rate sensitive. In particular, utilities now negative for the year after a really tough quarter. So it's been an interesting year. We'll put it that way. Yeah,
Braeden Gambala (03:35):
Absolutely. You mentioned the rise in the price of oil. I'm curious, just focusing in on the Middle East, what has been the drivers of that? There's been pipelines getting hit, there's production shut in, there's exports getting shifted here and there. Just what do you make of the rise in the price of oil and the reasons behind that?
Matt Sallee (03:53):
Yeah. The latest impact is in September, the Saudi East West pipeline was attacked and basically that went down and it's cut about five million barrels per day of exports. While it was down, it has since been repaired, but that's a vital pipeline to allow Saudi to export oil out of the region, avoiding the Persian Gulf. So that alternative route has now been demonstrated to be vulnerable. So that's a big deal. It is now up and running, so that's good to see. But just between the Persian Gulf and the impacts there, we saw Brent oil on a spot market briefly spike past $130. It's sitting around, I think, 120 now. So when I talk about 90 in the US, that's not so bad if you live in Europe.
(04:37):

© 2026 Tortoise Capital

On top of that, there's been continued shut-ins of production in the Middle East. So IEA, I believe, is estimating about seven million barrels per day that shut in, again, because you can't get out of Persian Gulf and storage is getting full in that region. And then also recently, Saudi Arabia had their largest refinery hit and damaged about a 400,000 barrel per day refinery. So a lot going on. Add to that, just as a reminder, we talked about this a number of times this year, but Cutter LNG still has a significant portion of its capacity offline from a tax dating back to April. That's expected to take three to five years to repair. And the bigger issue is as they have a pretty significant expansion that was playing there and we're hearing in the industry that may not even happen now. Why not? Because the world is looking for diverse supplies and specifically the US.

(05:30):

Ironically, Qatar, which used to be the largest LNG exporter globally, is now buying, has been buying significant amounts of LNG from the US to meet its customer obligations this year. So pretty crazy what's going on there. Don't see any resolution anytime soon, but definitely a lot to continue to keep track of.

Braeden Gambala (05:48):

Oh, absolutely. I feel like one of the biggest emerging themes this year has been greater reliance on more sustainable energy sources, more reliability from elsewhere out of the Middle East. Kind of shifting over to the refined product side, there's been ideas floating around of a diesel export ban for the United States. First off, what are the drivers of that? And also what are the downstream effects of that? What's your take on the potential diesel export ban?

Matt Sallee (06:13):

Yeah, so just to level set in the Midwest right now, diesel prices are, last time I looked, about $6.50 a gallon. If you go out to California, that's more like $8.50 a gallon. That's the extreme, the high end, but basically prices are really high. Why are they so high? Well, there's a shortage globally of oil and that causes refineries to reduce their runs, which produces less product. At the same time, obviously the conflict in Eastern Europe has not been resolved and Ukraine has been very successful at attacking Russian refineries continuously. So that's what caused Russia to curtail its diesel exports. And China has also curtailed the diesel exports because again, their supplies are getting low. So that's really led to very high prices. What are we doing about it? What's the United States doing about it? There's a number of measures that we've talked or looked at.

(07:09):

The White House had all the larger fining companies visit for discussions. I think, let's see, September 1st, they talked about what solutions might be out there. Since then, a couple things have happened. Well, one thing specifically, the EPA relaxed waivers allowing for winter grade fuel to be distributed. And that's kind of a complicated... I won't get into the details there, but basically it increases supply by relaxing some restrictions. The White House is talking about building a refinery or supporting financially the construction of refinery. I'm not holding my breath on that one. And then also this one's my favorite. Apparently it was announced that the White House had negotiated a peace deal between, not a peace deal, but a truce between Ukraine and Russia so the Ukraine would no longer attack Russian energy infrastructure. Within 24 hours, I believed Ukraine had indeed used drones to attack Russian energy infrastructure.

(08:11):

So not feeling like any of those are going to be necessarily the silver bullet. As a result, as Braeden mentioned, there's been discussions of a diesel export ban. Chris Wright quickly came out, our energy secretary and said, "Well, there's some unintended consequences that would probably come from that. He's from industry and understands what those sort of unintended consequences might be, which in our view, what he talked about and we tend to agree with." Same thing, if refineries can't run optimally in our country because they can't export their product as it's produced, they'll reduce their run rates. What's that do? That's going to produce less gasoline as well. And less gasoline's going to equal higher gasoline, even higher gasoline prices at the pump to go along with those higher diesel prices. So probably not a great solution and add to that if we aren't exporting at maximum ability, that's just going to push prices higher globally.

(09:01):

So not a great answer here. Refineries have talked about voluntarily reducing their runs. Their exports are up pretty significantly this year, about 800,000, basically 80%. So I could see, I think that's a pretty elegant solution if

© 2026 Tortoise Capital

they were to voluntarily reduce their exports temporarily to allow us to rebuild our inventories here at home. So stay tuned. No perfect answer.

Braeden Gambala (09:24):

Yeah. Matt, just want to pivot one more time. Getting into data center has been the topic of the year, probably the topic of the decade. There's been a lot of pushback socially and just from a political standpoint, Texas, Pennsylvania, elsewhere. What do you make of that pushback and what are the solutions that we can see? Also, if you could just hit on the natural gas demand, we're very bullish on natural gas and just its attribution and power as it comes to powering data centers.

Matt Sallee (09:49):

Well, geez, Braeden, I said diesel exports are complicated. You start talking about regulation for the power markets, that starts to get really complicated. But basically the latest, as the two largest power, basically power markets across the country, but the two largest in the Northeast and in Texas are dealing with years of retired coal plants replaced with renewables and now data centers wanting to consume massive amounts of electricity. They're starting to become reliability concerns. And so we're seeing the regulators pump the brakes basically and kind of understand how do we deal with this growing load after two decades basically electricity demand hadn't grown. We've talked about that ad nauseum. The latest development there is Texas has paused issuing air permits. That goes along with or follows, they've already paused issuance or basically allowing interconnects to the grid. Without getting into all the details, those air permits are required to provide what's basically called behind the meter or onsite power, which is the workaround when you can't connect to the grid.

(10:59):

So if you can't do either one, that's a big problem. And this is not for retail customers, this is for large loads, think data centers, large factories. There is supposed to be resolution for the interconnect issue by December. The governor's also guided that we can't issue new air permits until the interconnect issue is resolved. So basically you got a big issue there that follows on with MPJM, the Northeast market. They're working through what market reform's going to look like. Ironically, as of this morning, that was supposed to be done by year end. As of this morning, that got pushed out five months. So who knows what's next? But it's a challenging environment as electricity markets are changing quickly and regulators are trying to figure out how to deal with that.

(11:50):

You mentioned natural gas, estimates continue to move higher for how much natural gas is going to be needed tied to providing power for data centers. Bloomberg New Energy Finance just doubled their estimate from the start of the year, so pretty significant increase there. I'd say all these estimates are probably still too low. I won't get into the details of exactly what percentages and all the minutia. They're big increases. Our view is they're probably still too low. However, they're also probably expecting that demand to come on too quickly, going back to the regulatory challenges or complications I should say that need to be sorted out. I think all that's going to push data center development to the right, which ultimately is probably healthy for the market to grow a little more steadily and for a longer duration rather than very quickly, which is what we were doing.

(12:41):

So lot to cover there, but never dull in energy markets.

Braeden Gambala (12:46):

Yeah, there's no shortage of things for us to keep our eye out in the energy markets these days, but thanks for joining me, Matt. Thanks for doing this interview and thanks for joining us for this Energy Quick Take in 10.

Matt Sallee (12:55):

Thanks, Braeden.

Have topics you want covered or other feedback to share? Write us at info@tortoisecapital.com.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

Important Information

Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This video contains certain statements that

may include “forward-looking statements.” All statements, other than statements of historical fact, included herein are “forward-looking statements.” Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This video reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intention. Discussion or analysis of any specific company-related news or investment sectors are meant primarily as a result of recent newsworthy events surrounding those companies or by way of providing updates on certain sectors of the market. Through our family of registered investment advisers, we provide investment advice to related funds and others that includes investment into those sectors or companies discussed in these videos. As a result, we stand to beneficially profit from any rise in value from many of the companies mentioned herein including companies within the investment sectors broadly discussed.

© 2026 Tortoise Capital