

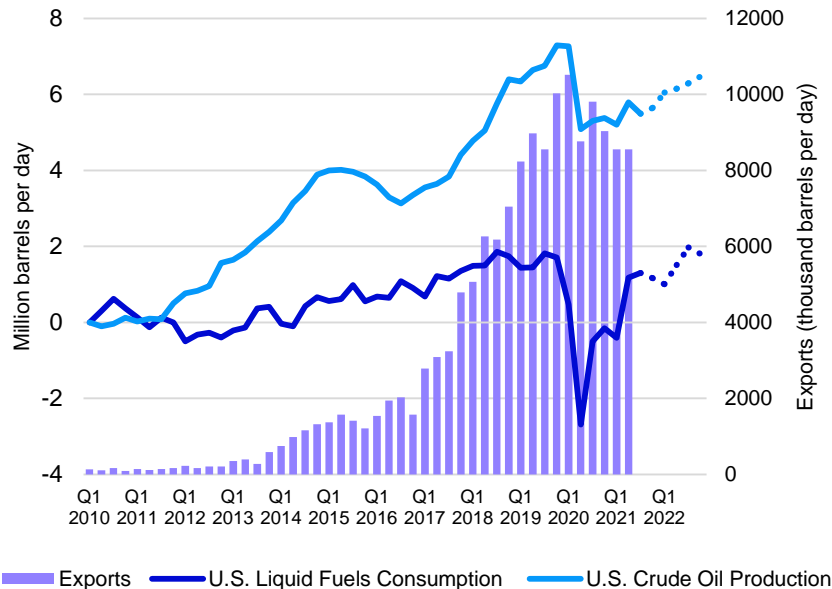
# SteelPath Energy Infrastructure Overview

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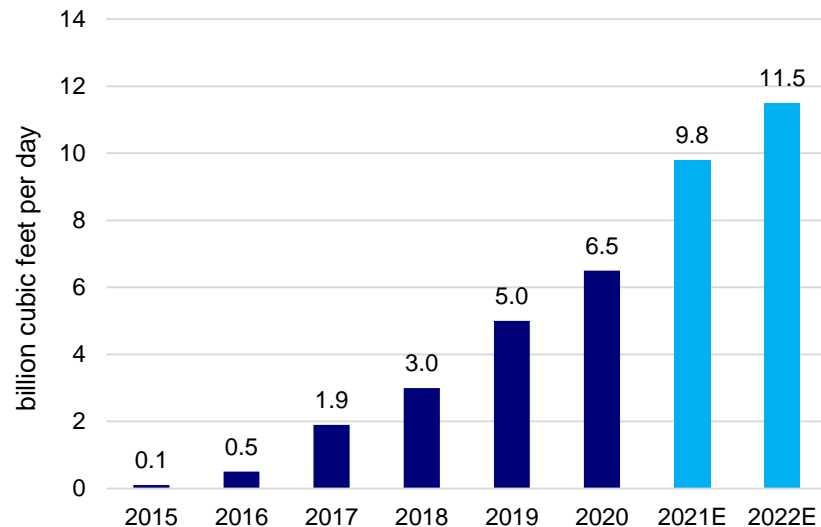
April 20, 2022

# Production and demand of hydrocarbons and US exports

## US crude oil supply and demand



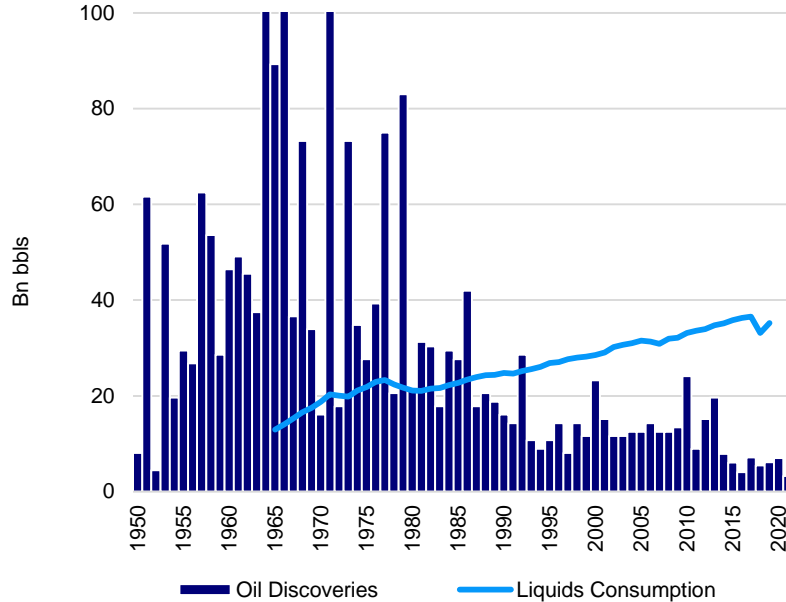
## US Liquefied Natural Gas (LNG) exports



Source: US Energy Information Administration and Wells Fargo Securities as of 12/31/2021. There is no guarantee estimates will come to pass. "E" represents estimates.

# Thanks to shale, the US continues to be one of the world's largest energy producers as global crude oil discoveries and inventories decrease

## Conventional oil discoveries vs demand

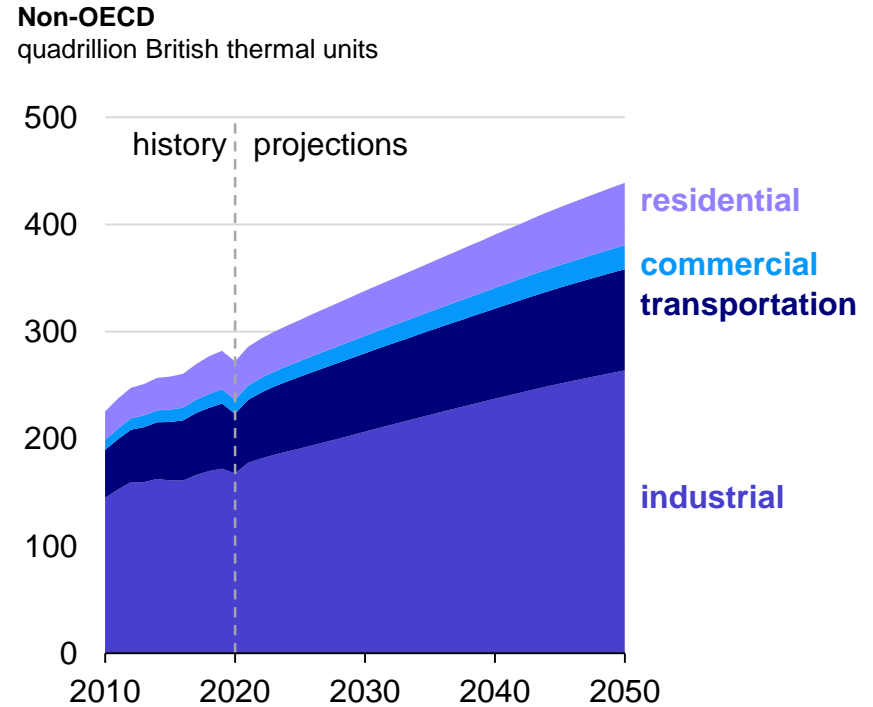
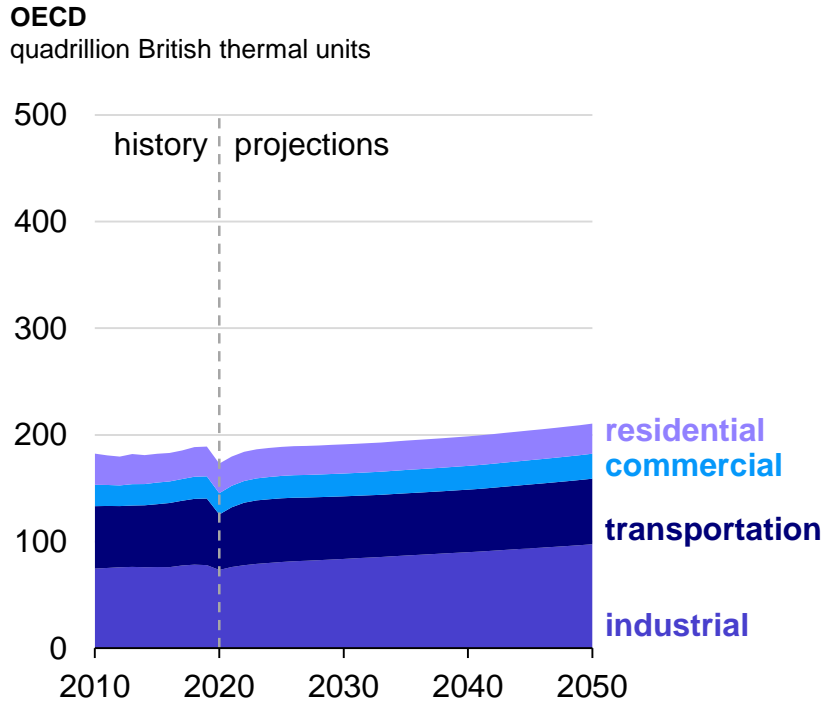


## Global observed oil inventories



Source: Bernstein, "Bernstein Energy & Power: We're going to need a bigger boat(load) of oil, January 21, 2022.

# Projected increase in energy consumption forecasts are predominately focused in non-OECD countries



Source: US Energy Information Administration (EIA) as of January 2020. There is no guarantee estimates will come to pass.

# US oil and natural gas production

- US shale oil estimated to grow 600,000 to 800,000 barrels per day in 2022<sup>1</sup>
- US natural gas production estimated to grow 3.1 billion cubic feet per day in 2022

## Chevron:

Plan to increase Permian oil output by 10% in 2022<sup>3</sup>

## Devon Energy:

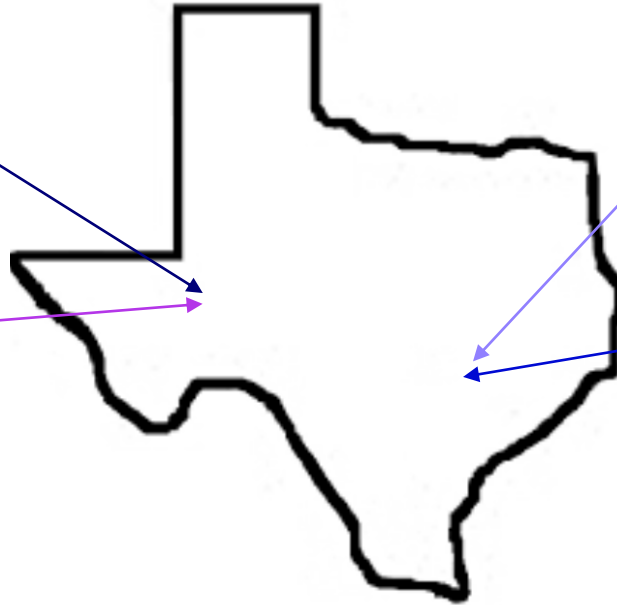
Plan to bring online ~40 wells in 2022 in Eagle Ford<sup>3</sup>

## Occidental Petroleum:

Estimate \$1.7B-\$1.9B spending in Permian in 2022<sup>3</sup>

## Murphy Oil:

27 wells operating in Eagle Ford<sup>3</sup>

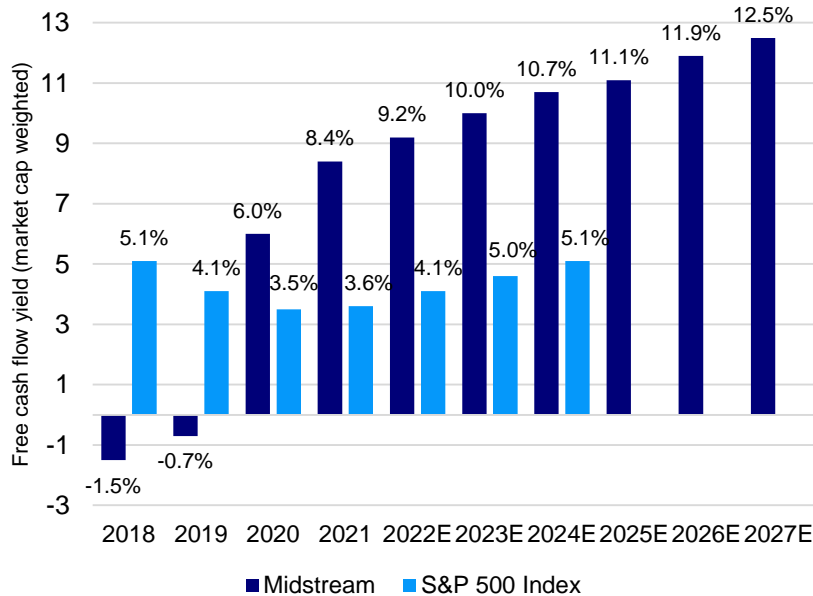


Source: 1. EIA as of February 28, 2022. 2. EIA STEO as of March 8, 2022. 3. Company 4Q21 earnings' reports. As of 12/31/2021, no SteelPath funds held the companies above.

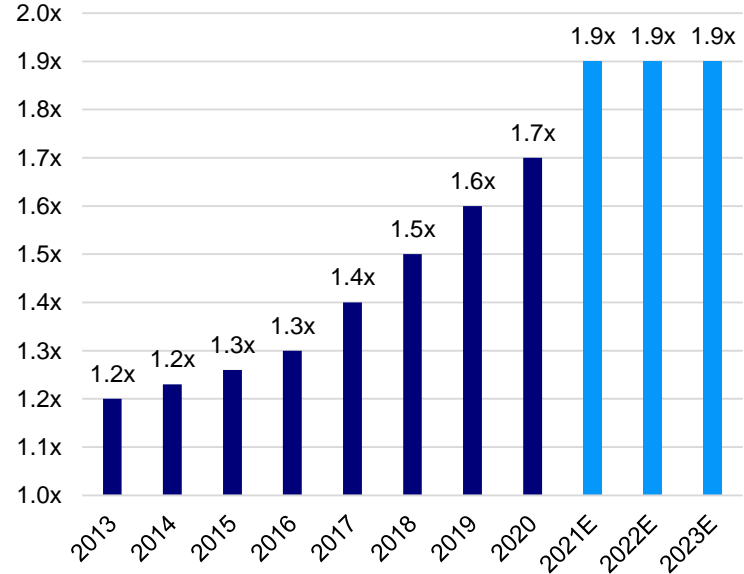
# Expected ramp in free cash flow generation

- Capital spending moderation has allowed free cash flow yields to increase resulting in sector deleveraging, dividend increases, and share repurchases.
- Midstream companies' median distribution coverage is now nearly 2.0x, up from 1.3x in 2016.

### Midstream free cash flow (FCF) yield



### Median midstream distribution coverage ratio

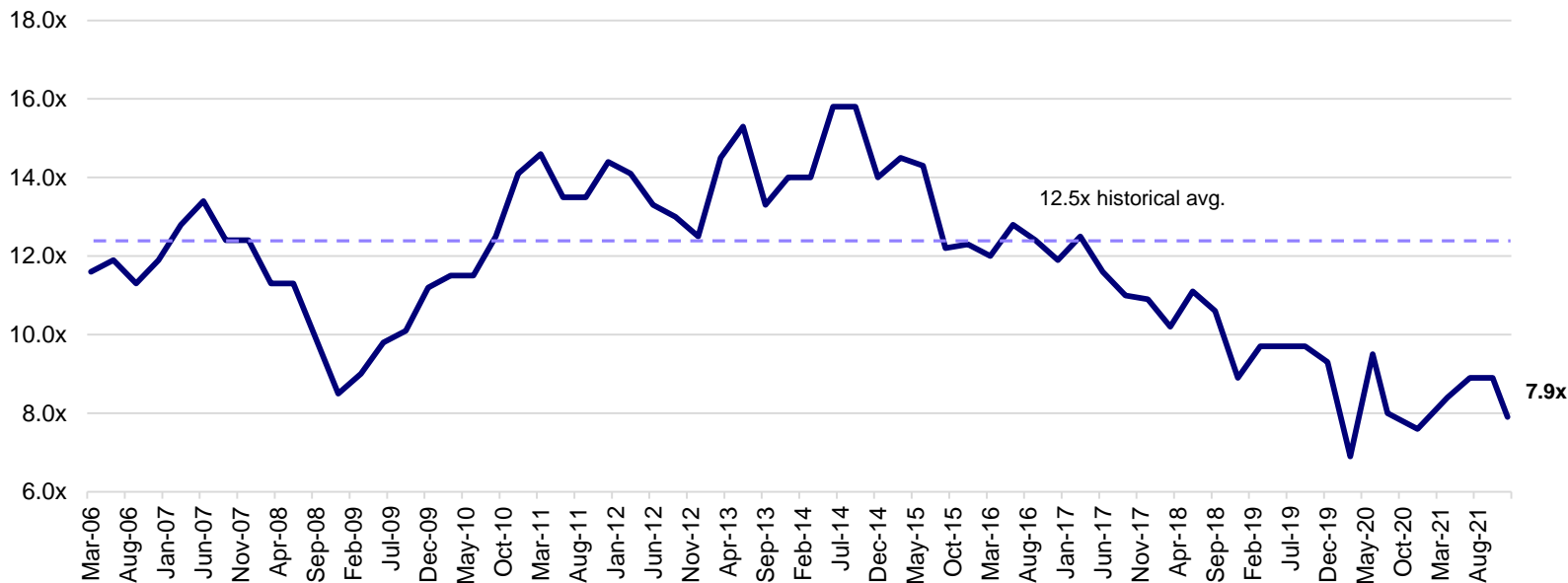


Source: Wells Fargo Research 12/31/2021. "E" represents estimates. There is no guarantee estimates will come to pass. Past performance does not guarantee future results.

## Midstream valuation and opportunity

Despite historically strong dividend coverage ratios and free cash flow expectations, midstream equities are trading at depressed valuation metrics.

### Midstream median EV/ EBITDA



Source: Wells Fargo Research as of 12/31/2021. EV/EBITDA = Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization. There is no guarantee estimates will come to pass. Past performance does not guarantee future results.

## Midstream companies expected to play a role in the energy transition

- Until renewables are affordable, reliable, and widely available, natural gas is expected to play an important role in reducing global emissions.
- The conversion of some refineries to renewable diesel could create opportunities to transport finished fuels through existing infrastructure.
- Current natural gas pipelines could transport 5-10% blends of hydrogen; broader adoption of hydrogen could require tailored pipeline capacity.
- Increased use of carbon capture, utilization and storage (CCUS) may necessitate more pipeline solutions in the future to move carbon dioxide.



# Thank you

# Disclosures

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

Forward-looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions, there can be no assurance that actual results will not differ materially from expectations.

Midstream companies are engaged in the transportation, storage, processing, refining, marketing, exploration, and production of natural gas, natural gas liquids, crude oil, refined products or other hydrocarbons.

Most MLPs operate in the energy sector and are subject to the risks generally applicable to companies in that sector, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs are also subject the risk that regulatory or legislative changes could eliminate the tax benefits enjoyed by MLPs which could have a negative impact on the after-tax income available for distribution by the MLPs and/or the value of the portfolio's investments. Although the characteristics of MLPs closely resemble a traditional limited partnership, a major difference is that MLPs may trade on a public exchange or in the over-the-counter market. Although this provides a certain amount of liquidity, MLP interests may be less liquid and subject to more abrupt or erratic price movements than conventional publicly traded securities. The risks of investing in an MLP are similar to those of investing in a partnership and include more flexible governance structures, which could result in less protection for

investors than investments in a corporation. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns.

Energy infrastructure MLPs are subject to a variety of industry specific risk factors that may adversely affect their business or operations, including those due to commodity production, volumes, commodity prices, weather conditions, terrorist attacks, etc. They are also subject to significant federal, state and local government regulation.