

# MLP and Energy Infrastructure Monthly



## August 2019



### Midstream Lags the Broader Market, But Outperforms Energy Peers

Despite no shortage of macro headlines, WTI crude prices were largely flat in July, up 0.2%. [The Alerian MLP Index](#) (AMZ) was down 0.9% on a price-return basis and down 0.2% on a total-return basis in July. The [Alerian Midstream Energy Index](#) (AMNA) was down 2.1% on a price-return basis and 1.6% on a total-return basis for the month. Midstream underperformed the S&P 500, which gained 1.3%, but outperformed both Oilfield Service (OSX Index) and Exploration and Production companies (SPSIOP Index), which fell by 2.4% and 8.0%, respectively.



### EPD Positions to Capitalize on Growing Exports

[Enterprise Products Partners](#) (EPD) [announced](#) three Houston Ship Channel expansion projects to increase export capacity of liquefied petroleum gas, polymer grade propylene, and crude. These capital-efficient, brownfield expansions are expected to provide attractive returns. Separately, EPD [announced](#) long-term agreements with [Chevron](#) (CVX) that will underpin construction of the Sea Port Oil Terminal off the Texas coast, pending regulatory approvals. EPD estimates that US crude oil exports will increase by 5 million barrels per day (MMBpd) by 2025 from 3 MMBpd today, driven by growth from the Permian Basin.



### Multiple Projects Targeting Increased Crude Takeaway Capacity in the Bakken/Rockies

While many focus on the Permian, there are notable crude pipeline opportunities up north. The co-owners of the Saddlehorn Pipeline plan to [expand](#) capacity by up to 100 thousand barrels per day (MBpd) from the current capacity of 190 MBpd, with completion expected in late 2020. The pipeline, which runs from Colorado to Cushing, is owned by [Magellan Midstream Partners](#) (MMP), [Plains All American](#) (PAA), and [Western Midstream Partners](#) (WES). Separately, PAA [announced](#) a 70-MBpd expansion for the Western Corridor Pipeline, which extends from northern Montana to Guernsey, WY. [Energy Transfer](#) (ET) launched a supplemental open season for the [Bakken Pipeline](#), with the expectation that additional line capacity would be determined by the commitments received.



### Phillips 66 Partners Becomes Latest MLP to Announce IDR Elimination

Along with its second quarter earnings results, [Phillips 66 Partners](#) (PSXP) [announced](#) it will eliminate its incentive distribution rights (IDRs) by issuing 101 million PSXP common units worth \$5.2 billion (based on the 30-day volume weighted average price) to parent [Phillips 66](#) (PSX). Per the company, the transaction represents a 15.8x multiple using projected 2020 IDR cash flows and is expected to be accretive to distributable cash flow by 4Q20. With PSXP's IDR elimination, approximately 86% of the [Alerian MLP Infrastructure Index](#) (AMZI) by weight will not have IDRs.



### TC Energy Progresses with Asset Sales

[TC Energy](#) (TRP CN) [agreed](#) to sell Columbia Midstream to [UGI Corporation](#) (UGI) for \$1.3 billion, which represents a 12.8x multiple to trailing EBITDA. The package of assets includes gathering and processing systems in the Appalachian Basin. TRP also announced a \$2.9 billion sale of [Ontario power plant assets](#) in July. In total, TRP anticipates asset sale proceeds of \$6.3 billion this year, which will be used to fund growth capital and enhance its financial position.



### Alerian Index Series Update

July saw two special rebalancings for the Alerian Index Series. [American Midstream Partners](#) and [Andeavor Logistics](#) were both removed from the Alerian Index Series after the closing of their respective mergers.