

MLP and Energy Infrastructure Monthly



July 2019



Recovery in Oil Drives Energy Higher

WTI crude rose 9.3% in June amid growing tensions with Iran, progress with US-China trade relations, and falling US crude inventories. The [Alerian MLP Index](#) (AMZ) was up 2.6% on both a price-return and total-return basis in June. The [Alerian Midstream Energy Index](#) (AMNA) was up 3.4% on a price-return basis and 3.7% on a total-return basis for the month. Oilfield Service names (OSX Index) and Exploration and Production companies (SPSIOP Index) rebounded by 9.9% and 6.6%, respectively, following double-digit percentage declines in May on oil weakness.



Outlook for Natural Gas Remains Solid; Drives Demand for Energy Infrastructure

After growing by a steep 4.6% globally in 2018, demand for natural gas is projected to increase by more than 10% through 2024 according to the International Energy Agency's Gas 2019 report [released](#) in June. The [report](#) estimates that the US will account for 35% of the growth in global gas production over the next five years and will become the world's leading exporter of liquefied natural gas in 2024. Growing US gas production and exports should drive increased demand for midstream assets, including pipelines and gas processing facilities.



Cheniere Unveils Anticipated Capital Allocation Plan, Buyback Authorization

[Cheniere Energy's](#) (LNG) [capital allocation plan](#) includes reinvesting cash into growth projects, pursuing an investment-grade corporate rating, and an opportunistic \$1-billion buyback authorization. LNG increased its run-rate EBITDA guidance by 16.1% to \$5.4 billion at the midpoint, while distributable cash flow (DCF) guidance was raised by 14.9% at the midpoint to \$2.7 billion. [Cheniere Energy Partners](#) (CQP) [announced](#) a final investment decision (FID) on Sabine Pass Train 6, raised run-rate production guidance per train, and increased annual run-rate DCF guidance by 10% at the midpoint.



Select Crude Projects Advance in Competitive Market for Takeaway

[Phillips 66](#) (PSX) announced the sanctioning of the [Red Oak Pipeline](#) system, a 50/50 joint venture with [Plains All American](#) (PAA) that will connect Cushing and the Permian with the Texas Gulf Coast when service begins in 2021. PSX will also partner with Bridger Pipeline to build the [Liberty Pipeline](#), which will provide crude transportation from the Rockies and Bakken to Cushing and is expected to come online in 2021. In other Bakken takeaway news, [Energy Transfer](#) (ET) [has filed](#) to nearly double the capacity of the Dakota Access Pipeline to 1.1 million barrels per day.



Whistler Pipeline FID Provides Visibility to Needed Permian Gas Takeaway

A joint venture including [MPLX](#) (MPLX), WhiteWater Midstream, and Stonepeak Infrastructure Partners/West Texas Gas [reached](#) FID on the Whistler Pipeline in early June. The ~2 billion cubic feet per day natural gas pipeline will connect the Waha Hub in the Permian Basin to Agua Dulce in South Texas and is expected to start up in the third quarter of 2021. Whistler will provide much needed takeaway capacity for Permian producers as well as supply for LNG facilities and Mexico.



Alerian June Index Review

The Alerian Index Series saw a quarterly [rebalancing](#) in June. [Rattler Midstream](#) (RTL) was added to four indices in the Alerian Index Series following its recent [IPO](#). [Equitrans Midstream Corp](#) (ETRN) was added to the [Alerian Midstream Energy Select Index](#) (AMEI), while [EQM Midstream Partners](#) (EQM) was removed.