

MLP and Energy Infrastructure Monthly



May 2019



Midstream Lags Both Crude and E&Ps in April

The [Alerian MLP Index](#) (AMZ) and the [Alerian Midstream Energy Index](#) (AMNA) were down 2.0% and 1.2% on a price-return basis in April, respectively. On a total-return basis, the AMZ and AMNA fell by 1.3% and 0.6%, respectively. Oilfield service companies (OSX Index) declined by 1.9%, while E&Ps (SPSIOP Index) outperformed with modest gains of 0.6%.



Oil Prices Continue to Gain In Volatile Month

WTI crude increased by 6.3%, while Brent gained 6.5% in April. Oil prices reached six-month highs on April 23 after the US announced that it would [end sanctions waivers](#) for buyers of Iranian crude. The oil price rally was halted on April 26 when President Trump tweeted that he had [asked](#) OPEC to increase output to replace Iranian barrels. Prices recovered following [reports](#) that Saudi Arabia is in favor of extending OPEC and partners' production cuts through the end of 2019.



Potential M&A Activity Creates Uncertainty for WES and NBLX

[Chevron](#) (CVX) and [Occidental Petroleum](#) (OXY) offered competing bids for [Anadarko Petroleum](#) (APC), the parent company of [Western Midstream](#) (WES). Neither company has released detailed plans for WES, but the parent's strategic views will be important for WES's future direction. In light of these developments, both APC and WES did not hold 1Q19 earnings calls. [Noble Energy](#) (NBL) announced it is undertaking a [strategic review](#) of its investment in [Noble Midstream](#) (NBLX). Alternatives include a sale, merger, recapitalization, asset dropdown, and simplification transaction.



Plains All American Raises Distribution by 20%

With the completion of its deleveraging plan, [Plains All American](#) (PAA) increased its quarterly distribution to \$0.36 per unit, a [20% sequential increase](#). Going forward, PAA will target a minimum distribution coverage ratio of 1.3x and long-term leverage of 3.25x adjusted EBITDA at the midpoint with the goal of achieving a BBB credit rating. Contingent upon meeting its targeted financial metrics, PAA plans to increase its distribution by around 5% annually over the next few years.



Crestwood Expands Footprint in Powder River Basin

[Crestwood Equity Partners](#) (CEQP) purchased [Williams'](#) (WMB) 50% interest in the Jackalope gas gathering system in the Powder River Basin (PRB) for [\\$485 million](#), giving CEQP full ownership. The acquisition makes CEQP one of the largest gathering and processing providers in the PRB and is expected to be immediately accretive. WMB [plans](#) to use the proceeds to fund growth projects and reduce debt.



LNG Export Projects Advance with FERC Approvals

[Tellurian's](#) (TELL) Driftwood LNG [received](#) FERC approval in April and is targeting a final investment decision (FID) this year. Similarly, [Sempra Energy](#) (SRE) was [granted](#) FERC approval for its Port Arthur LNG project bringing it one step closer to FID. Also in April, SRE's Cameron LNG train 1 [reached](#) its final commissioning stage, as FERC approved introducing feed gas into the facility. [Read More](#)