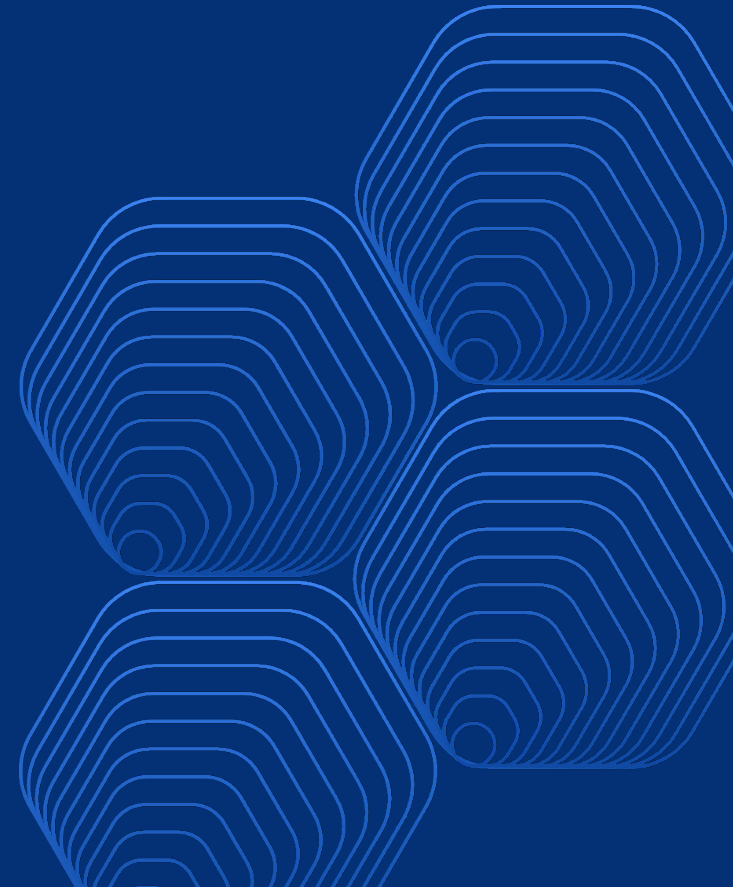




Guide to Energy Markets

Q1 2026



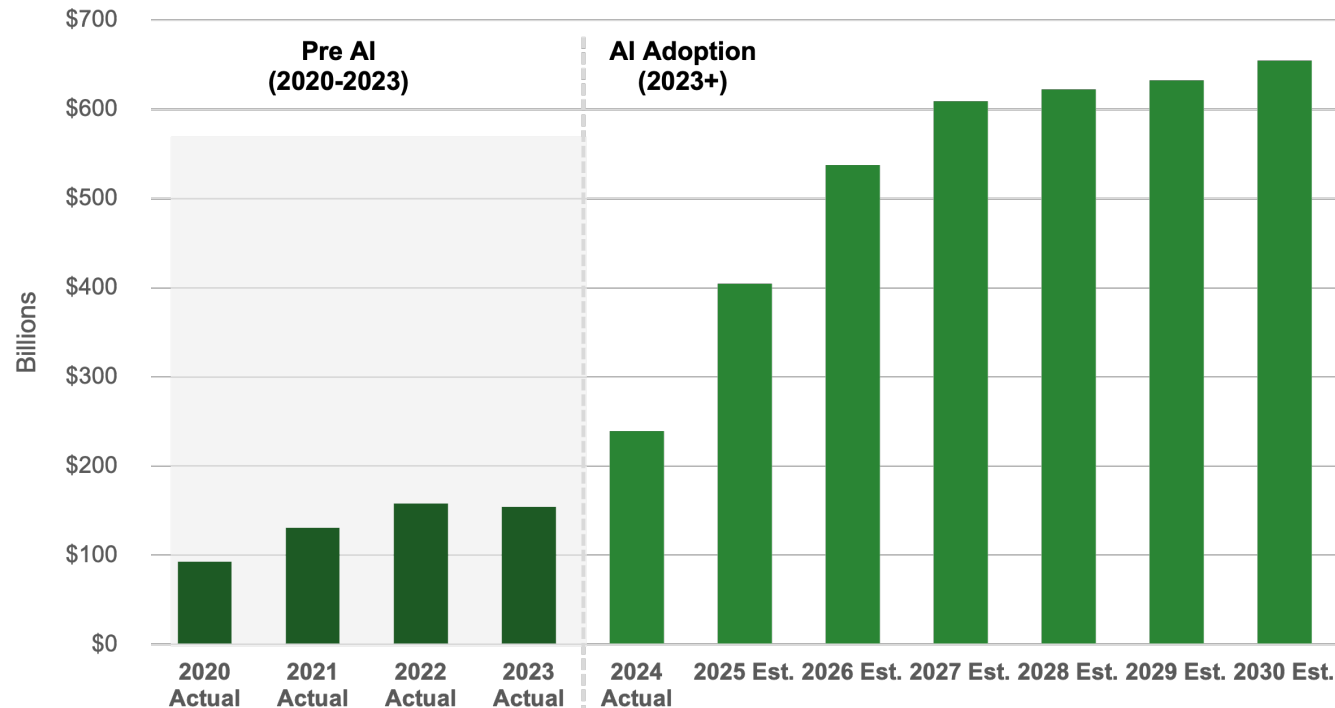


Flash Points: AI, Nuclear, Venezuela, Affordability



● AI Capex: \$600B by 2027. Every Dollar Needs Power

From Cloud Computing to AI Arms Race: Hyperscaler Capex More Than Quadruples



Every one of these dollars requires power: The following pages explore the unfolding story.

Inflection Point

Pre-AI hyperscaler capex funded traditional cloud infrastructure.

ChatGPT launched late 2022, hit 100M users in two months.

The AI breakout changed the capital trajectory for a generation.

Unprecedented Scale

Hyperscaler capex run-rate tripling from ~\$150B to ~\$600B by 2027.

~\$450B in incremental spending in roughly three years.

Amazon, Google, Meta, Microsoft, Oracle all racing simultaneously.

Critical Questions

Every data center requires massive, uninterruptible power.

Where does it come from?

Who builds it? Who moves it? At what cost?

Explore in the answers in the following pages.

As of 12/31/2025. Source: AMZN, Bloomberg, GOOG, META, MSFT, ORCL.

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● Nuclear: Future Bright, Near Term Constrained

Now: Hyperscalers

Power purchase agreements drive restart of mothballed reactors.

Existing plant utilization increased through uprates, i.e., higher approved power levels.

Combined: ~4.4 GW added to US nuclear by 2030.

Next: Small Modular Reactors (SMRs)

Commercial viability expected post 2030.

Meaningful capacity additions follow.

DOE directing loan funding toward SMR projects now.

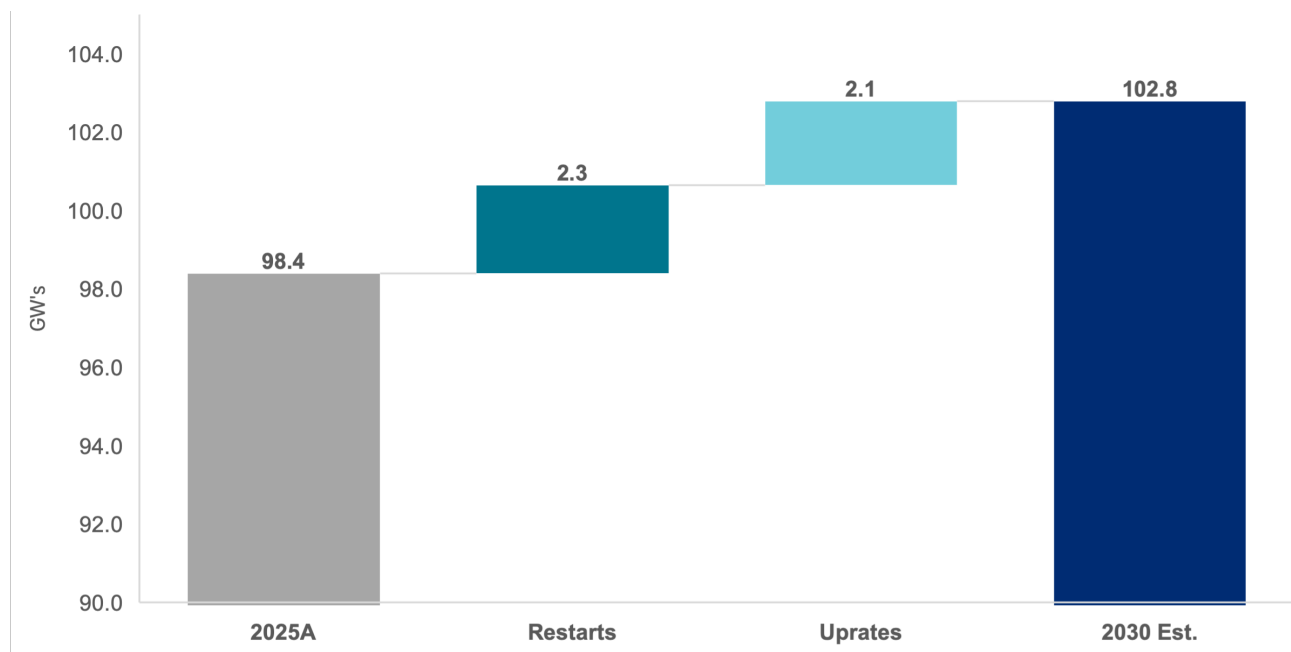
Later: Large-scale Newbuilds

None announced: permitting, returns, and financing remain high hurdles.

Washington targeting 10 new large reactors under construction by 2030.

Target is aspirational, not operational.

Restarts and uprates add ~4 GW to US nuclear by 2030.
Data centers will need ~70 GW more.



● Venezuela Production: Small Gains Soon? Big Costs Later.

Today: Mess

Production <1M barrels per day (bpd).

Well off historical highs.

Years of underinvestment and state mismanagement.

2027: Small Wins

300,000–400,000 bpd increase feasible—a few more drips.

Requires infrastructure repairs and short-cycle projects.

Incremental barrels likely flow to US Gulf Coast refiners.

Long-term: Recovery Costs

Sustaining ~1.1M bpd → ~\$50B+ over 15 years.

Reaching ~1.4M bpd → additional ~\$8–9B per year.

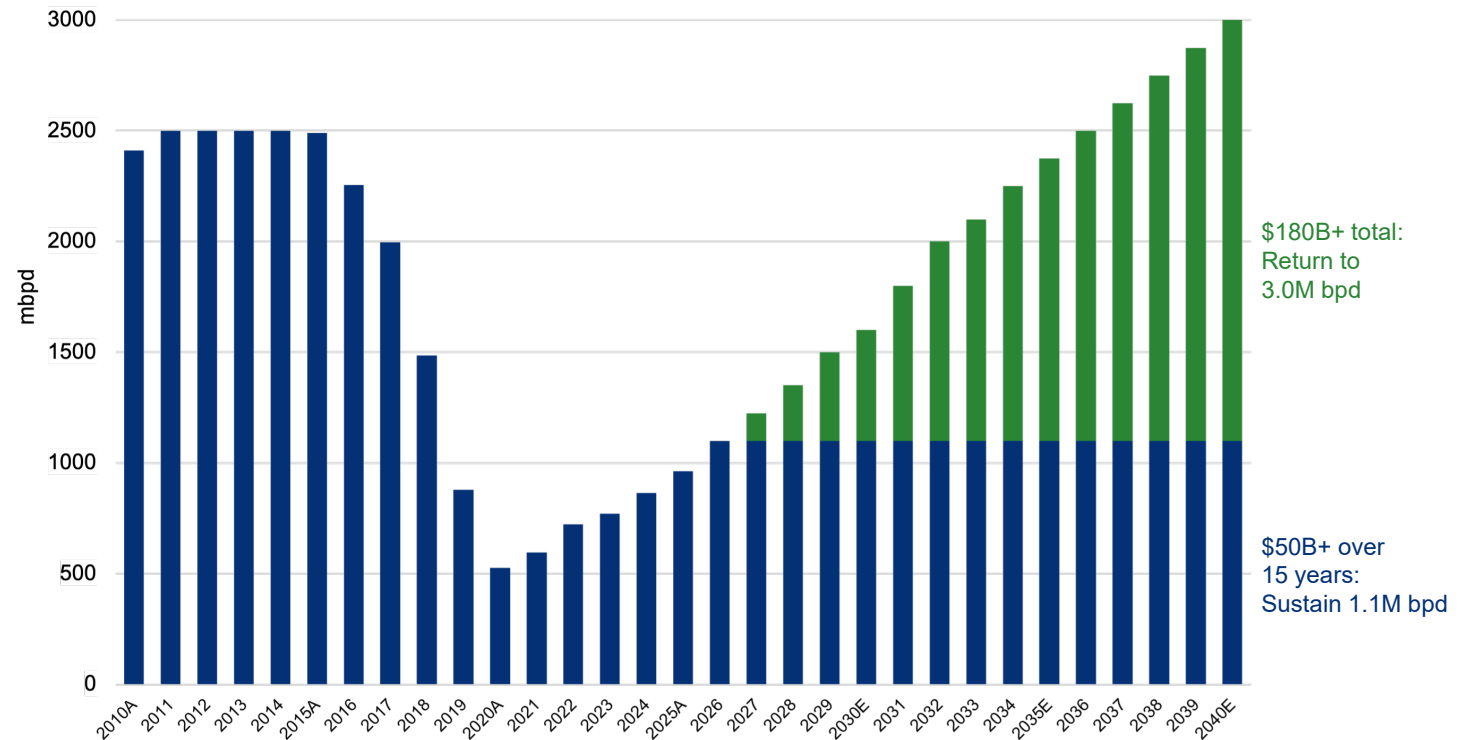
Returning to 3.0M bpd by 2040 → \$180B+.

But...

US majors won't invest without financial and security guarantees.

Political risk — not geology — is the binding constraint.

**Potential with a price. Production up short-term.
\$50 to \$180B bill later. Politics unknown.**



As of 1/5/2026. Source: Rystad Energy
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● U.S. Electricity Prices: Real vs. What You Actually Pay

30-Year Story

Roughly flat real electricity prices nationally since 1995.

Some regions have experienced meaningful increases.

New Pressure

Data center power demand growing rapidly.

Speculation that sustained buildout pushes prices higher.

No historical precedent for this scale of incremental demand.

What Decides?

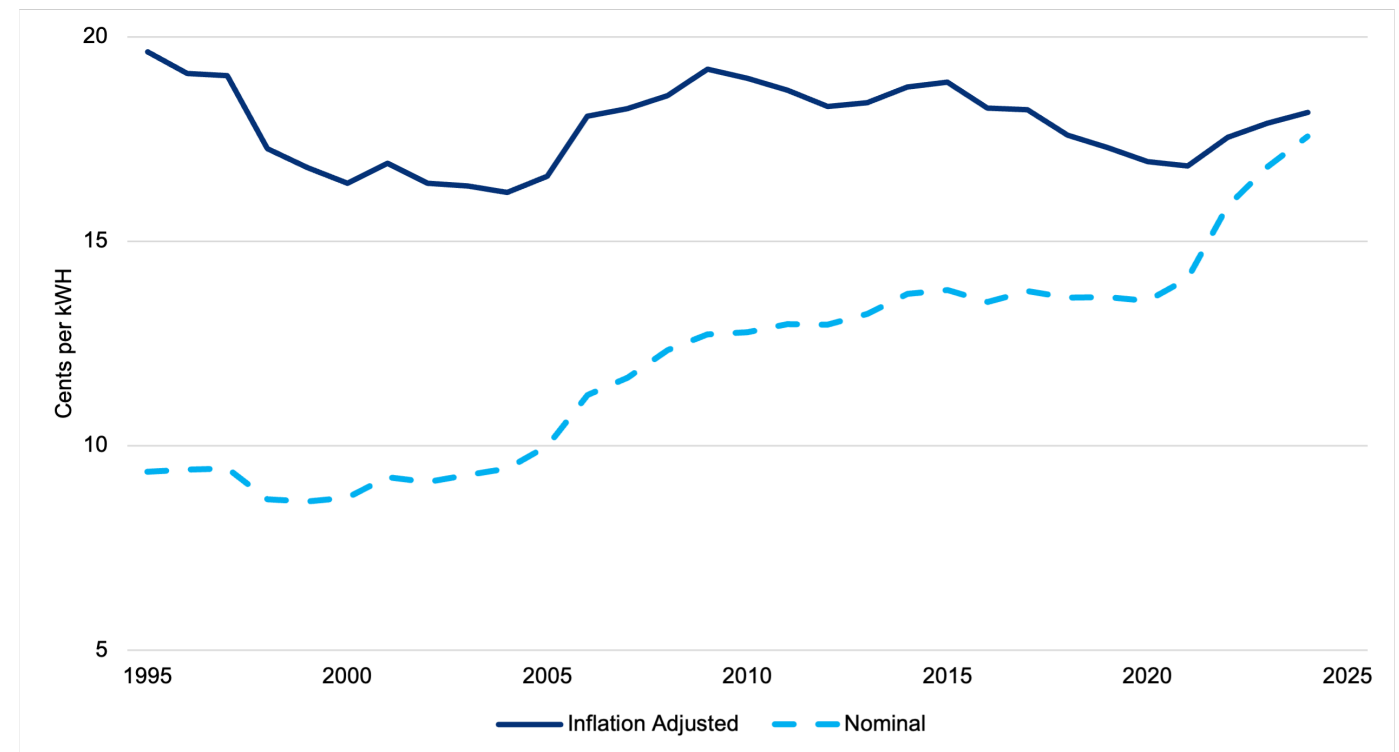
Policy and infrastructure spending will determine the outcome.

Regulator balancing act: support buildout but stay affordable.

How utilities and policymakers handle rising demand will tip prices.

**Real prices flat for 30 years. Nominal prices not.
Data centers are about to pressure both.**

As of 11/1/2025



As of 11/1/2025. Source: U.S. Bureau of Labor Statistics

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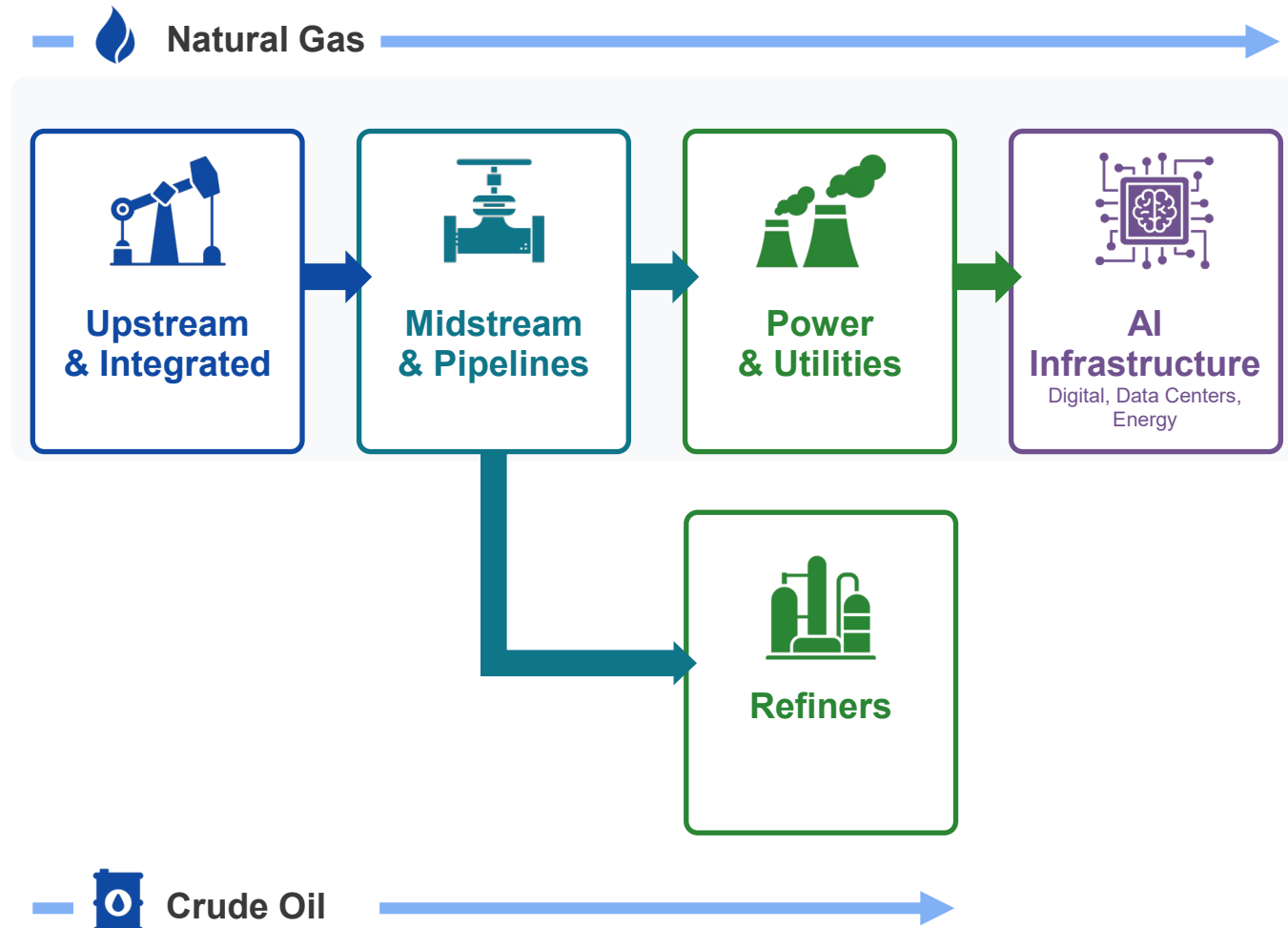


Energy Value Chain: Dynamics in the Era of AI



Why the Energy Value Chain Matters

AI and the Economy Run on a Physical Supply Chain



From Wellhead to Data Center

Every watt powering AI and society traces back through: extraction, processing, transportation, generation, and delivery.

Single integrated system under simultaneous demand pressure.

A Distinct Catalyst Drives Each Link in the Chain

Upstream: Record output with declining rig counts. Efficiency, not expansion.

Midstream: More free cash flow than companies can redeploy.

Refiners: Contracting capacity, particularly West Coast. Structurally higher margins.

Utilities: First meaningful load growth in 20+ years. Capex estimates revised upward every cycle.

The Chain Converges on AI Infrastructure

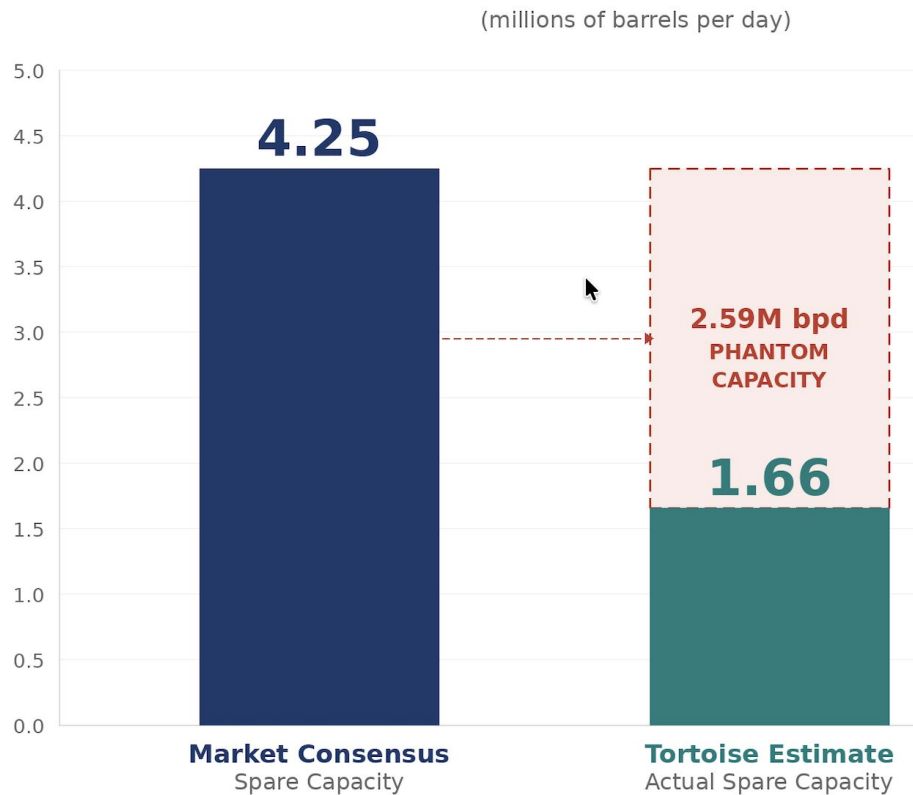
Hyperscaler capex approaching \$600B annually by 2027.

Every \$ requires energy infrastructure to deliver.

The case for each segment strengthens when viewed as part of a system serving this buildout.

● OPEC+ Spare Capacity < Half What Markets Assume. Volatility Ahead?

OPEC+ spare capacity: Markets may be overestimating by 61%.



As of 12/31/2025, Source: IEA, OPEC, TC

The Gap

Market assumes ~4.25M bpd of spare capacity.

Tortoise estimates ~1.66M bpd — less than 40% of consensus.

Most OPEC+ members already producing at maximum levels.

Who Actually Has Spare Capacity?

Only Saudi Arabia and UAE appear to hold meaningful reserves.

Current production runs below stated targets across the cartel.

The rest is paper capacity, not deliverable barrels.

The Catalyst

US-based consultant auditing OPEC member production capacity now.

Results expected summer 2026.

If audit confirms Tortoise estimate, oil volatility reprices significantly.

● Natural Gas: Calm Today. That Rarely Lasts.

Short-term Noise

Inventories entered 2026 high after warmer-than-average December.

Late January cold snap drawing storage back toward average.

Weather-driven volatility, not structural.

The 2026 Outlook

Supply likely adequate through the year.

Prices expected to normalize below \$4/mmbtu.

No structural shortage on the near-term horizon.

History Says This Won't Last

Natural gas prices are seasonally volatile: calm precedes spikes.

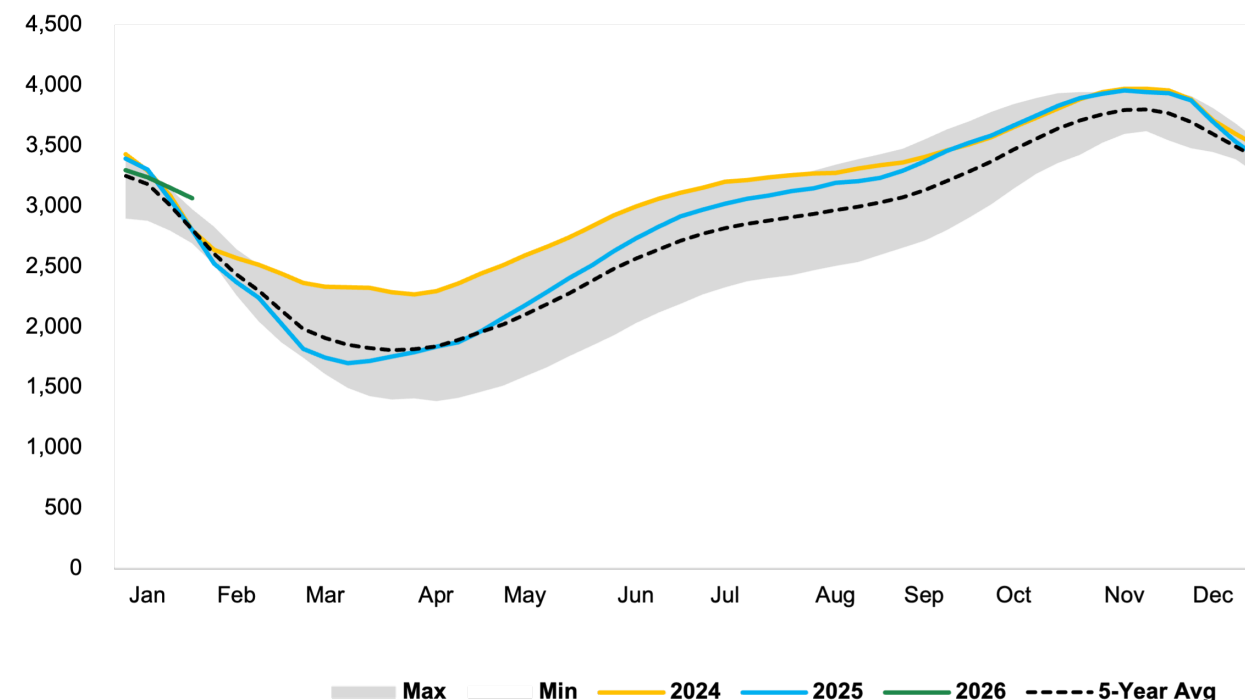
LNG export capacity expanding, creating new structural demand pull.

Data center buildout increases gas-fired generation needs.

2026 supply is comfortable.

U.S. gas storage: comfortable now.

U.S. Gas Storage (bcf)





Record Production + Fewer Rigs = Efficiency

All-Time Highs

Crude oil production >13.8M bpd average in December 2025.

Natural gas production 113.5 Bcf/d average.

Both at or near all-time highs.

Paradox

Rig count dropped 50 over the same period.

Faster drilling, better completion techniques.

Each well now reaches more reservoir and produces more than even two years ago.

Producers doing more with less: structural efficiency, not cyclical luck.

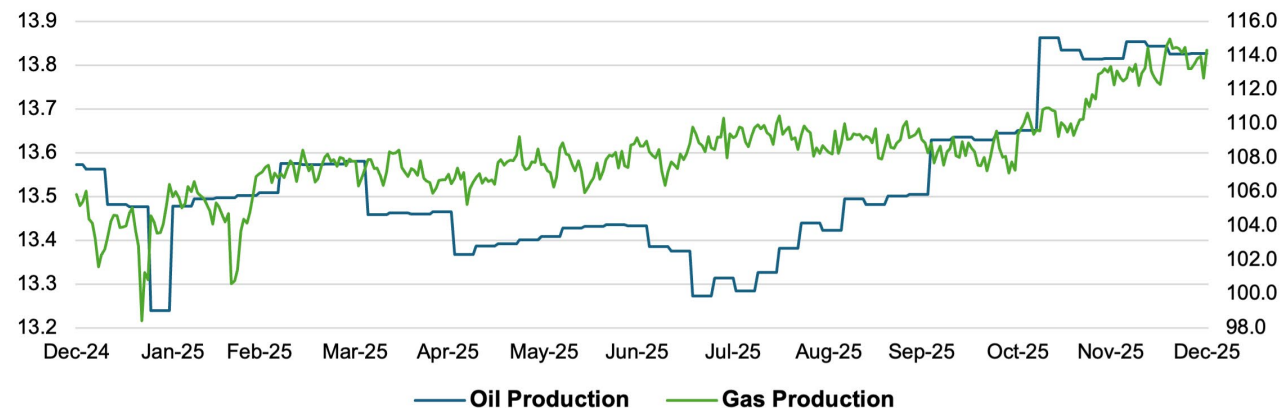
What It Means for Investors

Capital discipline is real and durable: producers don't chase volume.

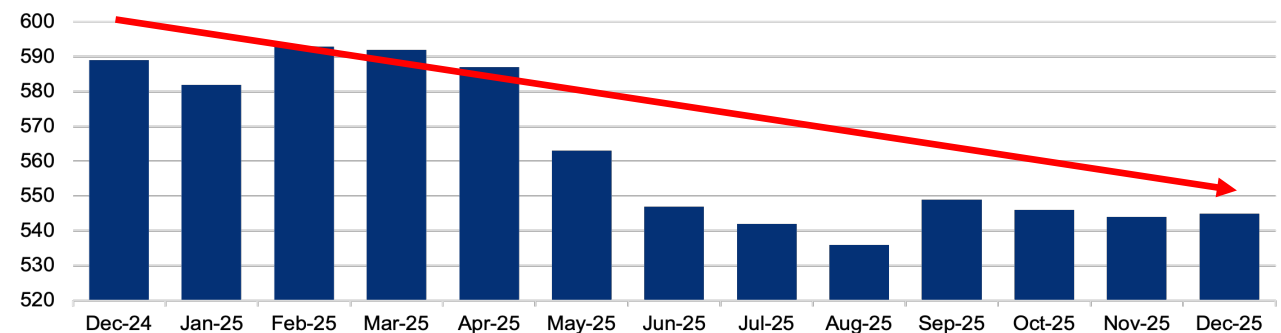
Free cash flow improves when production rises on a shrinking cost base.

This is a sector that learned from the 2014-2020 cycle. It shows.

Production: All-time highs. Crude Oil (LHS) Natural Gas (RHS)



Rig count: down 50



Midstream: Cash Mountain Rising

Cash Drivers

Cash flows forecasted to grow through 2029.

Volume, inflation-linked contracts, and profitable new projects.

Pipelines and processing for data centers and LNG terminals.

Revenue visibility unusually strong for an energy subsector.

Where the Cash Goes

Distribution growth is priority.

Management committed to sustained, visible increases.

Share buybacks are the frosting on dividend growth.

Capex up from 2020-2024 but fully funded from operations.

Surplus & Flexibility

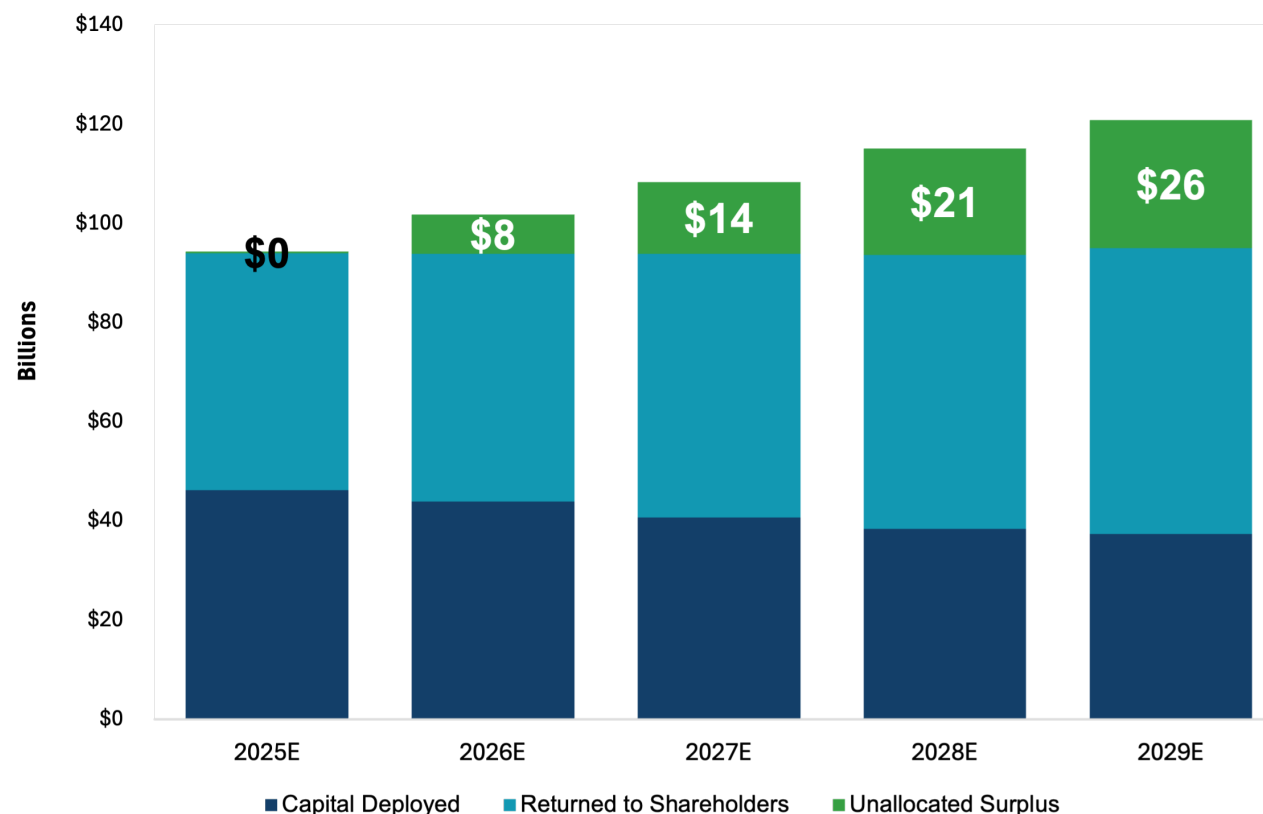
Unallocated capital grows to estimated \$26B by 2029

Surplus grows even after capex, distributions, and buybacks.

Cash for new investments, accelerated returns, or both.

Midstream hasn't had this kind of financial flexibility in a decade.

Midstream Cash Flow: Funded, Returned, and Still Growing



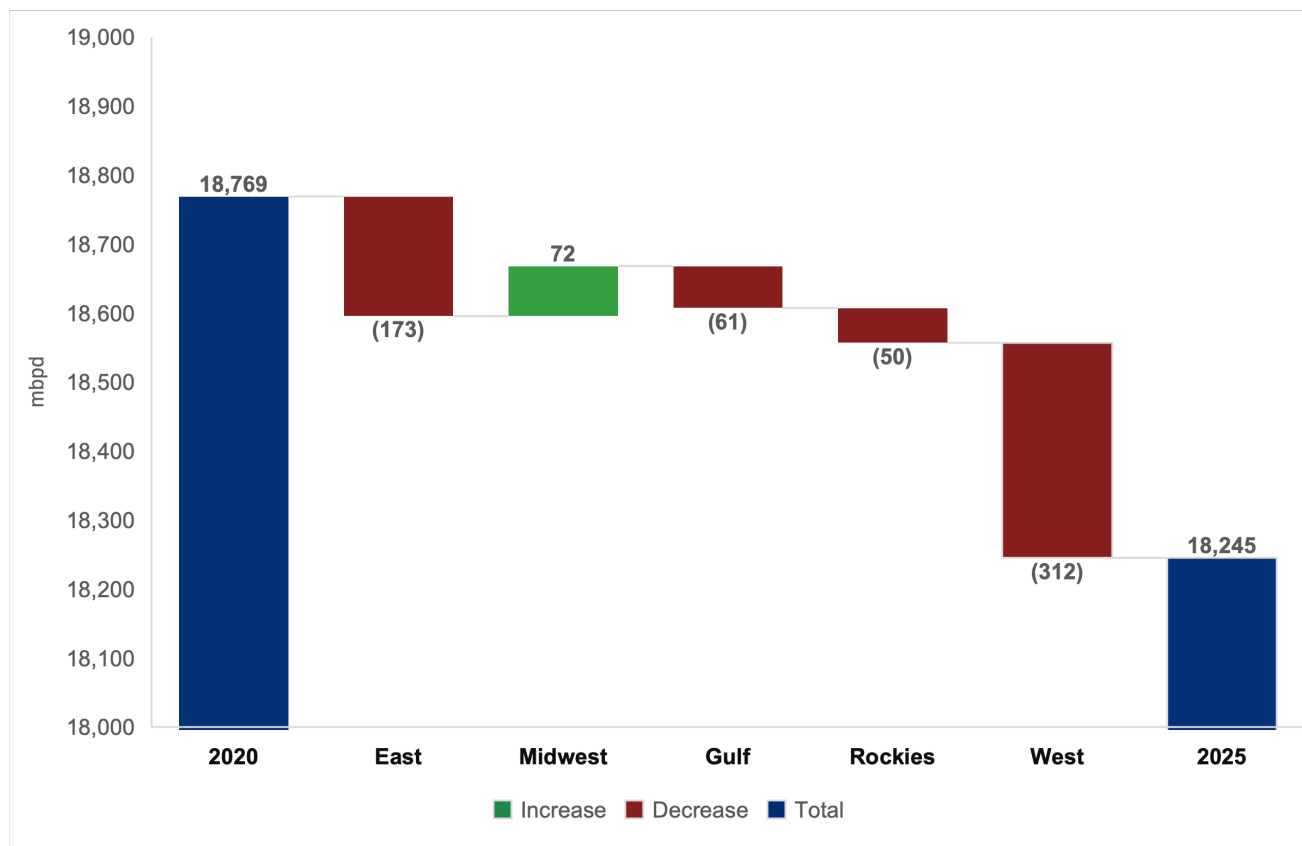
As of 12/31/2025. Source: Bloomberg, Tortoise Capital.

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Refineries: Shrinking Capacity, Expanding Margins, No New Building.

**US Refinery Capacity:
500K bpd Gone Since 2020—Not Coming Back**



What Happened

US refinery capacity down ~500,000 bpd since 2020.

Shutdowns driven by conversions to renewables, hostile state policy.

West Coast hit hardest: California emissions and regulatory burden drove major closures.

Why It Won't Reverse

No new US refinery has been built in decades.

Permitting, environmental regulation, and capital costs make new builds nearly impossible.

Closed capacity stays closed.

The Margin Story

Less capacity for the same or growing demand
= structurally higher margins.

Refiners targeting highest-margin gasoline and diesel markets:
California or exports.

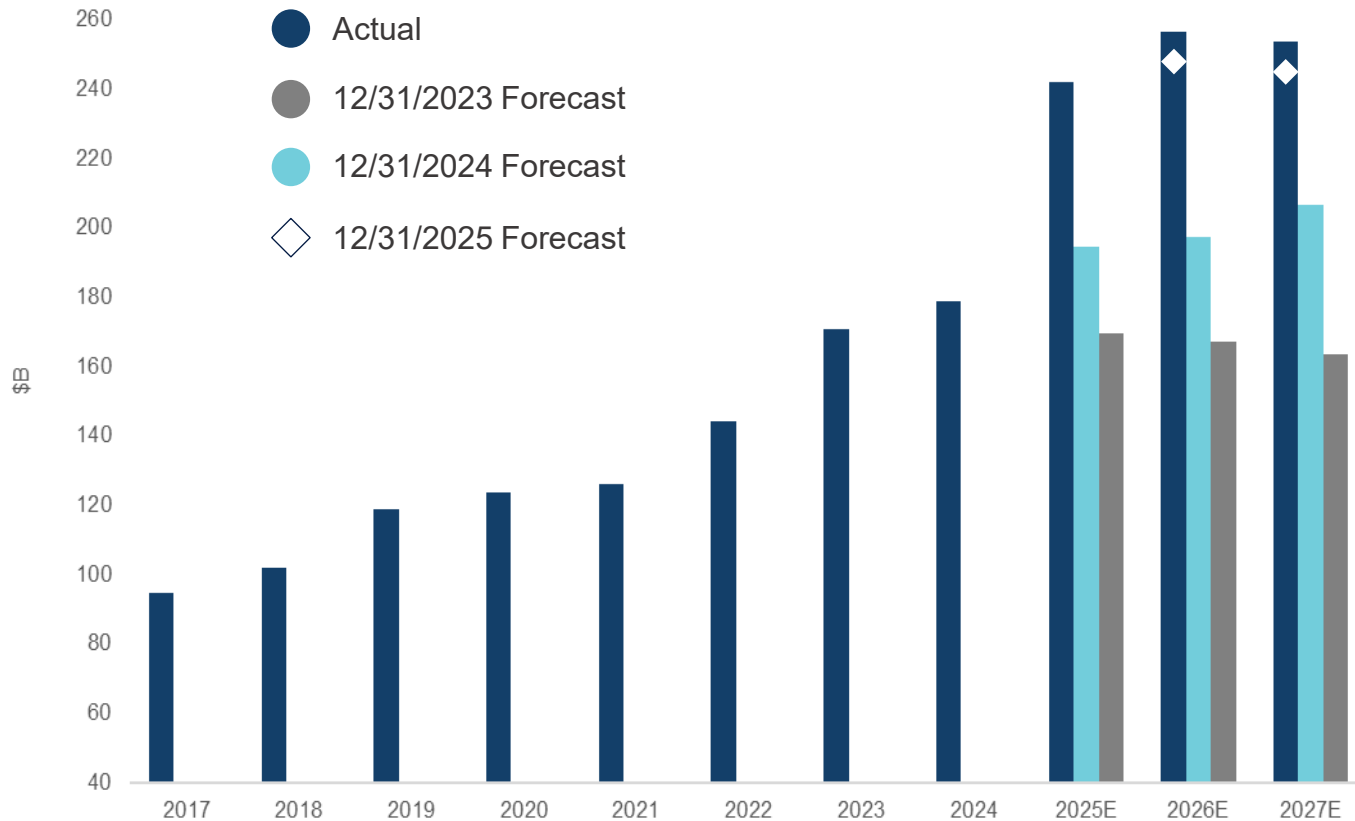
Structural, not cyclical, margin expansion.

As of 12/31/2025. Source: Bloomberg, PSX, RBN, VLO.

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Data Centers Send Utilities Capex to Record, Estimates Keep Rising.

From ~\$95B in 2017 to ~\$250B in 2026. Every Estimate Too Low.



Sources: Bloomberg, Wolfe Research.

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Unprecedented Scale

~\$250B annual utility capex expected for 2026.

~86% above 2020 levels, ~29% above 2024.

Spending levels never seen in the history of US utilities.

Why Analysts Keep Missing

Chart shows three vintages of consensus estimates: '23, '24, current.

Every revision goes in one direction: up.

Analysts consistently underestimate capital required to meet rising power demand.

Early Innings

Data center buildout is primary force behind the acceleration.

Grid modernization, transmission, and generation capacity — all scaling simultaneously.

And this spending cycle is only in its early innings.

Full Suite of Investment Solutions



	Mutual Fund	Closed-End Fund	Active ETF	Passive ETF	SMA
Broad Energy			Tortoise Energy Fund (TNGY)		
Energy Infrastructure	Tortoise Energy Infrastructure and Total Return Fund (TORIX, TORTX, TORCX)			Tortoise MLP ETF (TMLP) Tortoise North American Pipeline Fund (TPYP)	Tortoise Strategic Energy Infrastructure Strategy Tortoise Select MLP Strategy
Electrification Infrastructure		Tortoise Energy Infrastructure Corp. (TYG)	Tortoise Nuclear Renaissance ETF (TNUK) Tortoise Electrification Infrastructure ETF (TPZ)		
Energy Adjacent			Tortoise AI Infrastructure ETF (TCAI)	Tortoise Global Water Fund (TBLU)	

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From Wellhead to Data Center: Investing Across the Energy Value Chain

