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# Tortoise's Thummel on why natural Gas will help the U.S. win the global A.I. race.

*Fueling the AI Boom: Why Energy Infrastructure's Best Days Aren't Over.*

**Rob Thummel**
Senior Portfolio Manager
Tortoise Capital

Chuck Jaffe, in this episode of The NAVigator podcast, interviewed Rob Thummel, Senior Portfolio Manager at Tortoise Capital, where he runs the Tortoise Energy Infrastructure Fund (NYSE: TYG). Thummel says it's "still an excellent time" to invest in energy for income, and argues that U.S. natural gas — abundant, cheap, and sitting at the foundation of the AI industry's "five-layer cake" — is positioned to win the race to power AI data centers on cost alone. He also untangles an odd wrinkle: why Morningstar rates his open-end and closed-end funds, which run nearly identical energy infrastructure strategies, one star apart from four.

## TOPICS DISCUSSED

- Why Thummel still calls this "an excellent time" to invest in energy for income — with yields well above both the S&P 500 and bonds, even after accepting some equity risk.
- How the U.S.'s position as the world's largest oil and gas producer, largest energy infrastructure operator, and largest energy exporter creates a structural tailwind as exports keep growing.
- Why energy infrastructure earnings have stayed remarkably steady even as AI stocks swing on "sandbagging" fears, with only commodity-sensitive producers seeing extra volatility.
- Why electricity is the foundation of Jensen Huang's "AI five-layer cake" — and why unreliable, expensive power, not chip supply, is the real threat to the AI buildout.
- Why natural gas — sometimes under $1 a unit in West Texas versus $20–30 in Europe — is positioned to win the race to power AI data centers purely on cost.
- Why TYG and its open-end sister fund (TORIX/TORTX) run nearly identical strategies yet earn a 1-star vs. 4-star Morningstar rating, and what that gap actually reflects.

The discussion is educational in nature and intended to help investors and advisors better understand the tools, trade-offs, and data points involved in evaluating income-focused strategies.

## THE CONVERSATION

**CHUCK JAFFE**

Rob Thummel, senior portfolio manager at Tortoise Capital, manager of the Tortoise Energy Infrastructure Fund, is here. We're discussing some of the most interesting parts of the market these days now on the Navigator. Welcome to the Navigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The Navigator is brought to you by the Active Investment Company Alliance, an industry organization representing the entire closed-end fund business, from investors and users up to fund managers, sponsors, and creators. If you're looking for excellence beyond indexing, the Navigator will point you in the right direction. And today we are looking at energy infrastructure, where almost everybody has been looking, but not everybody understands it like my guest does. Rob Thummel is senior portfolio manager at Tortoise Capital, where he runs Tortoise Energy Infrastructure, which is TYG in closed-end fund form. It's TORIX for its open-ended sister fund, and you can learn more about the firm and the funds at tortoisecapital.com. Rob Thummel, great to have you back on the Navigator.

**ROB THUMMEL**

Hey, thanks for having me, Chuck. Good to see you again.

**CHUCK JAFFE**

You know, when you and I spoke last fall, you made a point that it is, and I quote, the best time I have ever seen in a three-decade career to be investing in energy. And you made the point. We're one of the first to make the point that a lot of that was because of AI. So here we are, AI is moving super fast. It's changing a lot of things. Is this still the best time you've ever seen, or are conditions changing enough that that was then and now is different?

ROB THUMMEL

I still think it's an excellent time, Chuck, to be investing in the energy sector, especially if your investors and your clients are looking for income. Income is really attractive in the energy sector right now. It's much higher than what you can get in the S&P 500. Obviously, it's much higher than you get in bonds. You do have to take a little equity risk, but we do think it's worth it. And I think what the world has figured out is energy is really important. Oil's important. Natural gas is important. And what the world's also figured out is U.S. energy is even more important because the U.S. can provide reliable, consistent energy and be that consistent, reliable energy supply source. So U.S. exports are going to continue to grow. They've grown a lot already. They're going to grow even more now going into the future.

CHUCK JAFFE

How much has the story changed from what's driving things, from the point where we were talking last fall, where of course we had no idea that we were going to see a war that was going to have impact on certain aspects of energy, to now where this war is lingering and keeping things uncertain.

ROB THUMMEL

Yeah, big change. You know, I think a lot of investors have been underallocated to the energy sector for a while, frankly, all the way back to 2020. That's what we've heard. But I'm telling you, we're talking to a lot of investors or potential investors now already because I don't think you want to be underweight the energy sector right now because of what you just mentioned. I think a lot of investors now understand how critical it is to have energy security, and we're fortunate in the U.S. to be the world's largest oil and gas producer in the world. We operate the largest energy infrastructure network in the world, and we're the largest energy exporter in the world. And so, all of those are real benefits to investors here in the U.S. And there's a whole variety of companies that benefit from that. And we expect that focus will continue, and investors will continue to come back to the energy sector because it's not driven by anything other than something very simple, and that's free cash flow. And there's a lot of free cash flow that's getting paid back to the shareholders in the form of stock buybacks and dividends, and we think that that will continue well into the future. And then, oh by the way, I don't want to forget we got a tailwind behind us right now too because that AI story you're talking about, it's still here. It's probably getting bigger. We saw that last night with Nvidia and some of the other hyperscalers in this earnings season. So there's a tailwind behind this sector, and it's already operating off of a very strong foundation.

CHUCK JAFFE

Have we seen volatility change as a result of what's been going on? But also, have you started to see energy companies show some of the volatility that some of the AI plays have because you've made the case that energy is definitely an AI play or an AI-adjacent play. Well, you see a lot of the AI stocks getting beaten up even when they report good numbers because the market thinks they're sandbagging. Are you seeing some of that volatility come into energy? Which is not normally quite as volatile.

**ROB THUMMEL**

That's a good question, and the answer is not really because you've seen energy be fairly consistent, the earnings be fairly consistent, fairly focused. The commodity price, obviously, some companies, producers that have more of their cash flows that are sensitive to the underlying commodity price, the underlying oil or natural gas price, yeah, they might see a little bit more volatility in their earnings. But the energy infrastructure companies that are the core of what we're investing in, and in particular in TYG that you were mentioning earlier, they're very steady companies that provide consistent, stable earnings with some growth as well. And oh, by the way, Chuck, they're also doing some really interesting things along energy infrastructure with things like behind-the-meter power solutions, which are really interesting. It's really beneficial for the consumer, for all of us, and so that helps keep power costs down for the consumer while it helps continue to promote and develop the AI industrial revolution that's kind of in full force right now.

**CHUCK JAFFE**

If they struggle to locate data centers, does that spill over into the energy infrastructure plays? I mean, as you are looking at this, is that story a threat to how much you can realize out of the AI revolution?

**ROB THUMMEL**

Yeah, we look at this all the time, and we watch the energy. That's really how we got into and really saw the opportunity in AI. But energy is going to be the important component, right? If you look at Jensen Huang's AI five-layer cake, the foundation of that five-layer cake is energy. It's electricity, and that's not going to change. And so, for AI to continue to develop, even we can generate all these great applications, but the only way that all these applications work is if we have that reliable electricity, and that's what the U.S. energy infrastructure network provides. And then the other component to it is you've got to have a low-cost energy source, and so natural gas is a low-cost energy and can provide low-cost electricity, and that's what's going to help win the U.S. the global AI race. It's that low-cost natural gas that energy infrastructure companies obviously help deliver across the network of the U.S., across the domestic network to the various power plants all over the United States that then turn around and provide that reliable power to all of these data centers.

**CHUCK JAFFE**

As you are looking at this opportunity, are there certain energy types and certain energy production types that you think are going to be the winners more? I mean, you were just talking about natural gas, but functionally, it doesn't make a difference to somebody who's running a data center how the energy is produced. It only makes a difference that they have the energy they need. Do you believe that it's going to be one source of energy that is the winner over another? That's maybe an untold story in how AI and the need for power is progressing.

ROB THUMMEL

Yeah, that's a really good question. And at Tortoise, we're still on the all-the-above camp, so we still think you're going to need so much electricity. I think that's what people don't realize is we're going to need so much electricity over the next several decades. Electricity demand growth is really going to grow at almost unprecedented rates. So what that means is all energy sources are going to be needed to generate electricity. Now we think that natural gas will lead the way. We're really fortunate here in the U.S. because of the U.S. shale revolution, because of all the great oil and gas producers that were kind of independent oil and gas producers that developed this massive supply of natural gas. We have so much natural gas, Chuck, in the U.S. that we're obviously exporting a tremendous amount of natural gas, and not only providing plenty of natural gas for our country, but we're providing a lot of the natural gas for Europe and Asia and other countries around the world as well. And yet, all of that, the prices of natural gas are still very low. You can buy natural gas at times in West Texas for under $1 a unit, which, for perspective, Europe is paying probably 20 to $25, but sometimes $30 a unit for natural gas. So, natural gas will probably win out because really electricity is just one of the inputs, the components of AI. But it's a critical component, and what you want with that component is the lowest-cost option you have available to keep the cost to the consumer down, and that's what natural gas will be able to do.

CHUCK JAFFE

I'm going to ask a question that's a little inside baseball, but it's something that I do periodically when I have someone who manages a fund, both an open and closed-end structure. Which is, I always ask, you know, is there a real significant difference in terms of how you manage the funds because of the structure? But also, in your case, there's an oddity. If I look at the Energy Infrastructure Fund in closed-end form at Morningstar, they give you one star. If I look at it in open-end form, you get four stars. Now again, they're functionally doing the same job. You can explain a lot of it in that in the closed-end world, there's so few entrants. Being above average is pretty hard when you've got five funds in your category. So I'm curious because somebody could look at this and go, 'Wait, it's a four-star fund this way. It's a one-star fund there. But you're not doing that much different, are you?' And as a manager, is your frustration with Morningstar going, 'Look, I'm doing the same thing. How can I be great here and terrible there when it's not any different?'

ROB THUMMEL

Yeah, no, I think that's a good observation. I would say that the funds, yes, they're all focused on energy infrastructure. There's some slight differences on the way that we operate the open-end fund versus the closed-end funds. Let me just give you a couple examples on the open-end fund. That's just purely energy infrastructure, as pure as it gets. It's been around the longest, and I'm talking about TORTX. It gives you access to some of the best pipelines in the world, we think, and definitely in the U.S. Now, TYG's slightly different in that it's still energy infrastructure, no doubt about that, and its core is still a lot of these pipelines, these natural gas pipelines especially, but it does venture into a little bit of the electrification infrastructure as well. Some of the places like ERCOT in West Texas or in Texas in general, some of the electric generation in Texas, as well as in PJM, which is the East Coast kind of region where a lot of electricity is generated — it'll invest in some of those companies as well. So there's some slight differences performance-wise. I actually think that probably TORIX has performed, depending on the time frame, just a little bit better. So that probably is the reason for the difference in the Morningstar ranking. But if you're looking for dividends, obviously you get a much higher dividend when you're looking at TYG versus TORTX.

CHUCK JAFFE

Obviously, investors looking at funds have to decide which form they want to own and why they want to do it. But it's interesting as they're trying to do this, going, 'Okay, we don't understand how it works on the manager side.' So I appreciate all the insight, Rob. Thanks so much. We will talk to you again down the line.

ROB THUMMEL

Thanks, Chuck.

CHUCK JAFFE

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