Energy Infrastructure: the recently announced US-EU trade deal envisions a tripling of US-EU energy exports to $250bn annually. With US liquefied natural gas (LNG) export capacity set to double with the vocal support of the Trump Administration, many infrastructure investors assume this deal is about LNG. But the deal's size implies much more than simply using LNG to replace Russian gas. The EU must import more US oil, refined products and NGLs to even get close to the very ambitious goal. In a market that assumes rapid growth in gas-related infrastructure and stagnation in oil-related areas of the energy industry, this deal is a potent reminder that the US energy industry's long-term health requires export competitiveness across a variety of products, not only LNG.
Click here for our NEW white paper, "*The Frack-tured Cartel: How Shale's elastic supply broke OPEC's grip on the oil market*"

Natural Resources: in January 2025, we explained how the gas market was on the precipice of a massive and unheralded shift from a highly-seasonally volatile tradable commodity to a stable, non-seasonal commodity. As we explained 7 months ago, we don't see AI and LNG spiking gas prices; instead, we see gas market volatility declining – permanently. Almost all demand growth is coming from AI and LNG. These two demand sources will dramatically curtail consumption whenever gas prices exceed the marginal value of AI queries or exports to Europe. The feedback to our January note was skeptical. Last week, we saw Google make the AI industry's (first) announcement that Google would seek to curtail energy demand in order to manage commodity price volatility, in exchange for preferential grid access from Google's utility partners.

July 2025 Performance Summary and Market Commentaries

Please find below performance and commentary for our strategies – MLP & Infrastructure and Natural Resources. See performance tables at the bottom of the commentary. For additional information, please contact us at (832) 241-6400 or info@recurrentadvisors.com.

MLP & Infrastructure

Performance review

During the month of July 2025, the Recurrent MLP & Infrastructure Strategy generated net returns of +1.01%, lagging the Alerian MLP Index's (AMZ) +3.17% return by -2.16%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +32.68% (+2.07% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +57.55% and +3.48% respectively. See performance section at bottom for more detail, plus performance detail on the Recurrent Energy Infrastructure Strategy, which seeks to track the MLP & Infrastructure Strategy while excluding MLPs.

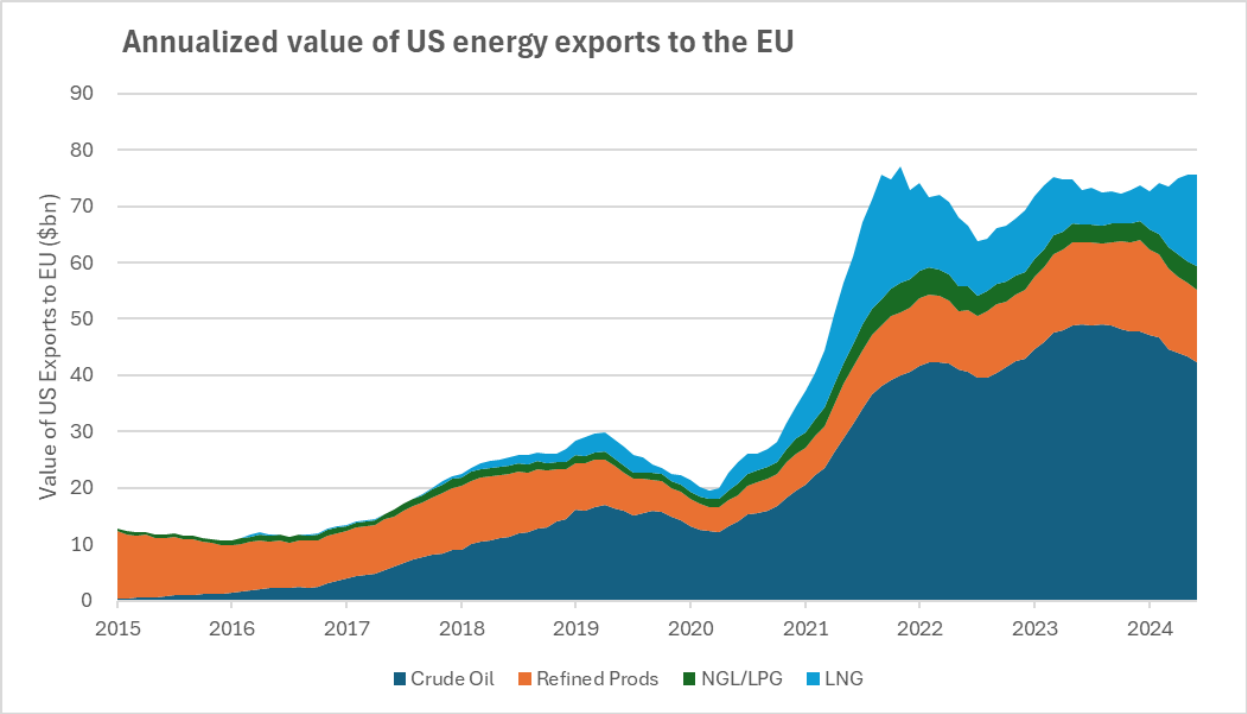
Since 2015, the US's growing energy surplus has matched the EU's deteriorating energy competitiveness - leading to a surge in US-to-EU energy exports

With the Trump administration looking for areas to improve the US's terms of trade, the US-EU energy trade relationship is a reasonable place to start: US exports to the EU have surged over the last 10 years, even without a high-level trade agreement.

US-to-EU energy trade has been dominated by the US's surging exports of crude oil, with LNG only becoming a meaningful portion since the outbreak of the Russia-Ukraine War in 2022 and the subsequent curtailment of Russian gas exports to the EU.

The sevenfold increase in US exports to the EU over the past decade, reaching roughly $75bn in annualized trade since the Ukraine war, represents one of the largest bilateral improvements in US

terms of trade anywhere in the world. However, the magnitude of growth envisaged in the US-EU agreement is a massive step-change compared to the levels seen today.



Sources: US DOE Energy Information Administration (EIA), Eurostat, Bloomberg, Recurrent research.

The new US-EU agreement entails a sharp acceleration in already-growing US exports

The agreement implies that the EU will **triple** its purchases of US energy over the next 3 years. The agreement suggests that the record-setting amount of energy exports – $250bn over the last 3 years – will reach $750bn in the next 3 years (i.e. $250bn/yr).

The Trump White House hailed the deal by stating, "The EU will double down on America as the Energy Superpower by purchasing $750 billion of U.S. energy exports through 2028." The less-bombastic wording of the European Commission confirmed this understanding: "The agreement… includes the intention to procure more **US liquified natural gas (LNG), oil, and nuclear fuels and cutting-edge technologies** and investments over the next three years until the end of 2028… the agreement will contribute to… fully **replace all Russian energy imports**."

Trade deals are challenging to enforce and to measure, but regardless of whether the $750bn is achieved, this agreement is a clear signal of intent. Importantly, it suggests that energy trade will be a key indicator for the health of the US-EU relationship, and a likely source of diplomatic tension if increased energy trade fails to materialize.

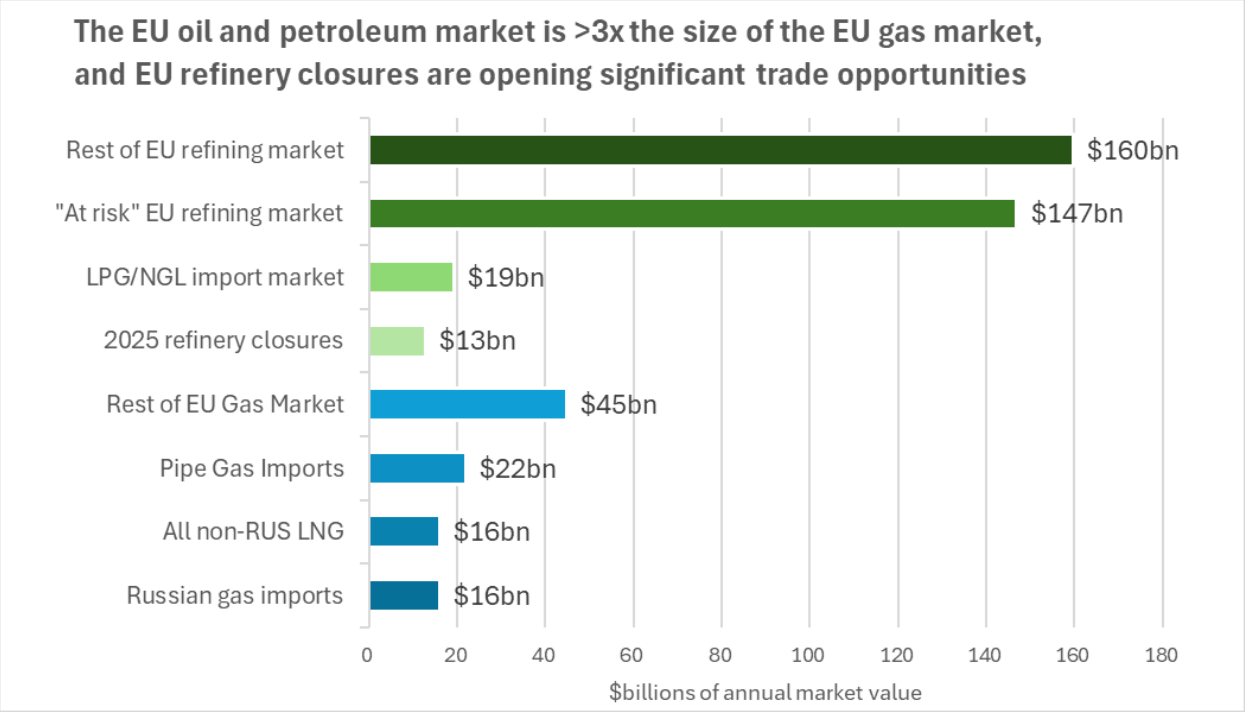
Many investors have assumed the agreement is LNG-focused – but the numbers imply broad growth across LNG and oil product exports

Given the Trump administration's focus on LNG, and the historically-dominant role of Russian gas in the EU, many observers assume that the agreement is focused on US LNG. However, if we compare the size of 1) EU imports of Russian gas, 2) total EU gas imports and 3) the entire EU gas market, we see that LNG alone cannot approach the $250bn in annual export value.

Replacing Russian gas would nearly double US-EU LNG trade, moving export values from $20bn to just under $40bn. If US LNG were sufficiently cheap to dislodge all other gas imports, up to $30bn is available to the US. This outcome is unlikely, Qatar, Algeria, Azerbaijan and others would likely cut price to compete for market share, but it offers an idea of the maximum addressable European market for US LNG.

Achievement of anything close to the $750bn target will involve significant increases in crude oil, refined product and NGL exports

If $70bn presents a long-term "ceiling" for potential LNG exports to the EU, where does the other $100bn to $150bn of near-term export potential come from? The EU's oil product market is much larger than the gas market, at double the market size and nearly double the per-volume value of LNG. As refinery closures have accelerated, the EU has become increasingly dependent on imported oil products.



Sources: US DOE Energy Information Administration (EIA), Eurostat, Bloomberg, Recurrent research.

As we've detailed in previous monthlies, growth in the US energy industry has been heavily dependent on exports for the last decade, given stagnant domestic demand. Investors have been laser-focused on LNG export growth, given the proposed doubling of US export capacity in the next 5-10 years, and gas-related companies have seen meaningful valuation expansion as a result.

However, the EU trade deal offers a stark reminder: gas demand alone is not enough to support the long-term growth of the entire industry. The EU gas market – the second largest in the world – is a $100bn market, with $16bn opened up by the elimination of Russian gas, and another $16bn realistically addressable by US imports in the next decade.

By contrast, the oil, refined product and NGL markets of the EU are over $300bn, with the potential for $13bn in exports created by refinery closures in the next 12 months, with potential for continued growth as the EU continues to dismantle its domestic energy industry.

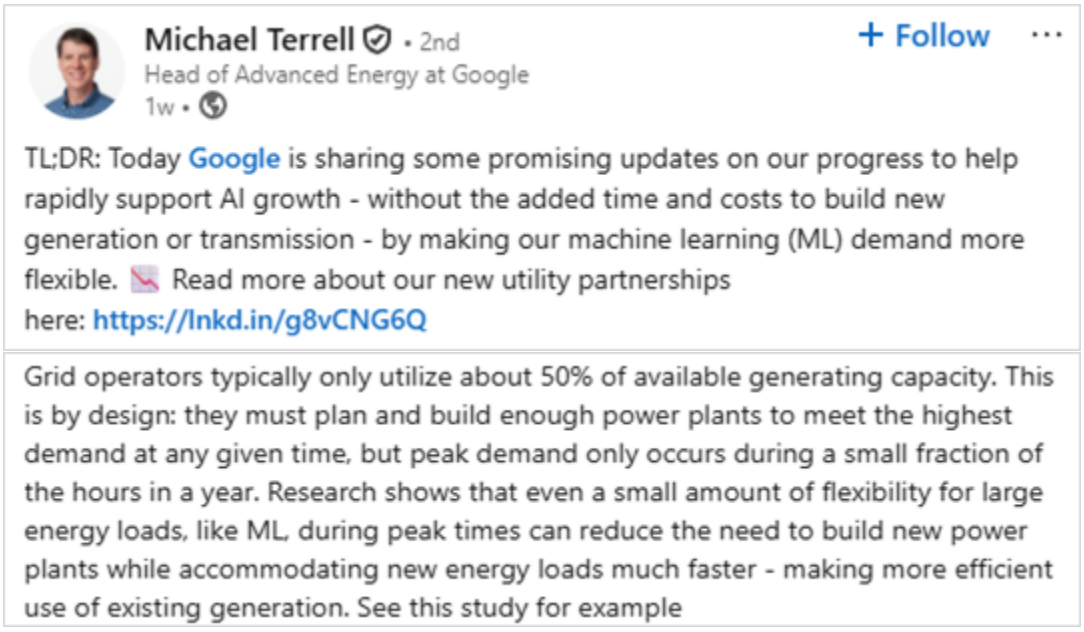
Natural Resources

Performance review

During the month of July 2025, the Recurrent Global Natural Resources Strategy generated net returns of +1.00%, outperforming the S&P Global Natural Resources Index's +0.72% return by +0.28%. Stock selection in Cenovus Energy, Hess Energy, and PBF Energy added significant value during the month, while the portfolio's overweight in Freeport McMoran detracted from relative performance.

Google announces deal with 2 utilities to reduce AI power demand in exchange for faster grid connections

On August 4, Google announced energy partnerships with two utilities, with Google agreeing to reduce AI-related power consumption during periods of high demand. So what did Google get in exchange for this commitment?



Source: LinkedIn

In Google's longer press release, the company noted that this deal **"allows large electricity loads like data centers to be interconnected more quickly, helps reduce the need to build new transmission and power plants, and helps grid operators more effectively and efficiently manage power grids."**

In other words, AI operators willing to behave in a **price-sensitive** manner may be allowed to access the grid more quickly, as the queue for new grid interconnects and for new power plant construction is now measured in years, or even a decade.

Clearly, grid operators are offering strong incentives to AI operators to abandon their plans to build private grids and instead become **price-sensitive** demand on existing grids.

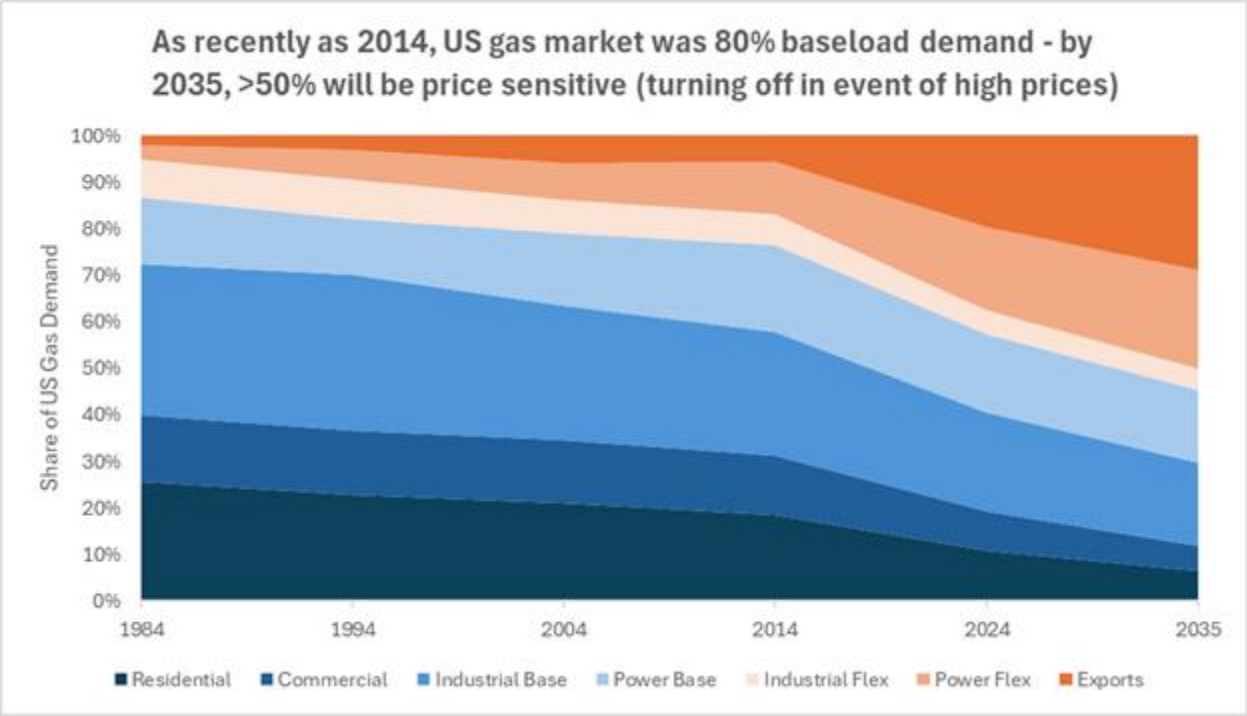
In January 2025, we explained how increasingly flexible demand would reshape the gas market… Google's first-of-its-kind utility deal has confirmed our thesis

In the next decade, a massive (and growing) share of gas demand will turn off as prices rise, dictated by AI and LNG economics. It is not hyperbole to suggest that this will change the nature of gas markets, with higher demand ushering in lower volatility and seasonality as the impact of AI and LNG outweigh the historically weather-driven gas market.

For the last 12 months, the market's attention has been fixated on how the **size** of AI and LNG projects will transform the gas market, with these 2 categories increasing gas demand by up to 50% in the next decade.

But this focus on size ignores the **price-sensitivity** of AI and LNG demand, as AI and LNG demand will be more price sensitive than anything historically seen in the gas market.

As we wrote back in January, *"opportunistic, price-sensitive 'training' will represent a much larger share of power use… Datacenters have the ability to economically optimize when energy-intensive 'AI model training' takes place."* Google's announcement confirms that the era of price-sensitive AI training has already arrived.



Source: Recurrent research, US DOE and Energy Information Administration (EIA)

The resultant impact on natural gas markets as demand becomes more price-sensitive will be profound. AI demand and LNG export demand is set to grow at as historic pace – but the growth in AI demand is likely to lead to a counter-intuitive reduction in market volatility in power and gas markets, especially as market participants offer compelling economic and time incentives in exchange for demand reductions during times of high prices.

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