AMERICA'S LEADING FUEL MARKETERS

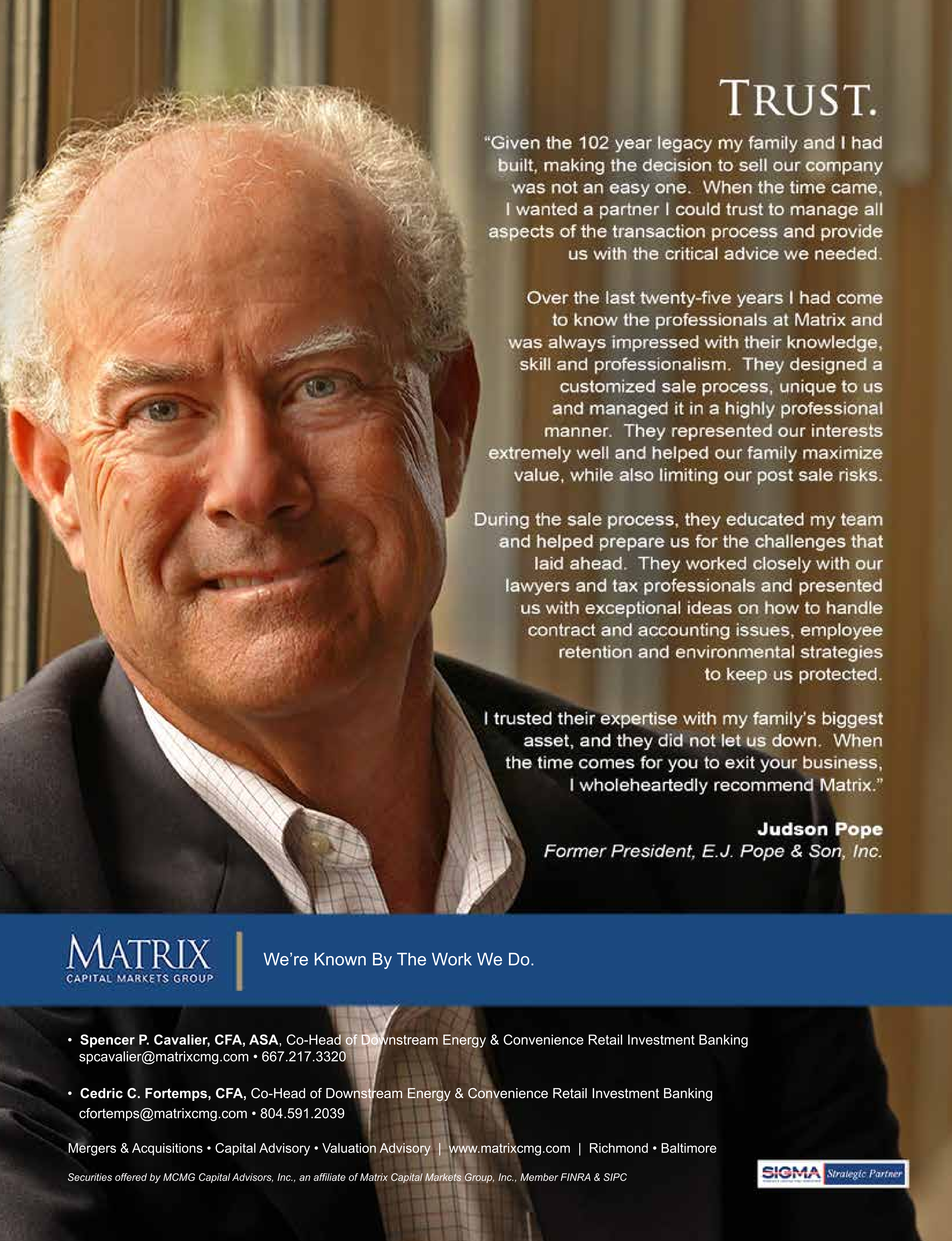
IGM

INDEPENDENT GASOLINE MARKETING

NOVEMBER | DECEMBER 2022

SIGMA

inside: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"Given the 102 year legacy my family and I had built, making the decision to sell our company was not an easy one. When the time came, I wanted a partner I could trust to manage all aspects of the transaction process and provide us with the critical advice we needed.
Over the last twenty-five years I had come to know the professionals at Matrix and was always impressed with their knowledge, skill and professionalism. They designed a customized sale process, unique to us and managed it in a highly professional manner. They represented our interests extremely well and helped our family maximize value, while also limiting our post sale risks.
During the sale process, they educated my team and helped prepare us for the challenges that laid ahead. They worked closely with our lawyers and tax professionals and presented us with exceptional ideas on how to handle contract and accounting issues, employee retention and environmental strategies to keep us protected.
I trusted their expertise with my family's biggest asset, and they did not let us down. When the time comes for you to exit your business, I wholeheartedly recommend Matrix."
Judson Pope
Former President, E.J. Pope & Son, Inc.
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SIGMA

About SIGMA: Founded in 1958, SIGMA: America's Leading Fuel Marketers has become a fixture in the motor fuel marketing industry. After more than sixty years of leadership, SIGMA is the national trade association representing the most successful, progressive, and innovative fuel marketers and chain retailers in the United States. From the outset, the association has served to further the interests of both the branded and unbranded segment of the industry while providing information and services to members.

SIGMA's approximately 260 corporate members command more than 50 percent of the petroleum retail market, selling approximately 80 billion gallons of motor fuel each year. These member companies operate throughout the United States and Canada.

Regular membership in SIGMA is available to companies involved in motor fuel retailing or wholesaling that are not owned by a refiner. In addition, Associate membership is available to fuel supplier companies and to companies that offer financial services, fuel transport services, and fleet card services. SIGMA member companies have long been recognized, both within and outside the industry, as the most aggressive, innovative, and price competitive segment of petroleum marketers.

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Richard Guttman
SIGMA President

viewpoint

These are Still Crazy Times

I think we can all agree that these are still crazy times. Yes, we have gotten used to some of the changes the pandemic forced upon us, but "normal" may never be the same. Particularly for our industry, the changes keep coming. It is difficult to plan for tomorrow, let alone for 10 years down the road!

It has been my pleasure and honor to serve as SIGMA's president over the past two years. As my term comes to a close, I am proud of the path forward SIGMA is forging, focusing on transition and growth. As our industry continues to evolve, so too will SIGMA, because change offers the opportunity for even better member value and ultimately a stronger association.

Looking back over the past two years, our conferences were highly successful with outstanding attendance participation. Obviously, people were tired of home offices and happy to be back in-person! SIGMA's conferences are unique in our industry in that they provide not only education, but also the ability to discuss best practices with peers in the industry, share stories of how the actions of Congress are affecting your business, and network with suppliers and business services partners all under one roof. SIGMA's conferences are definitely one of its strengths.

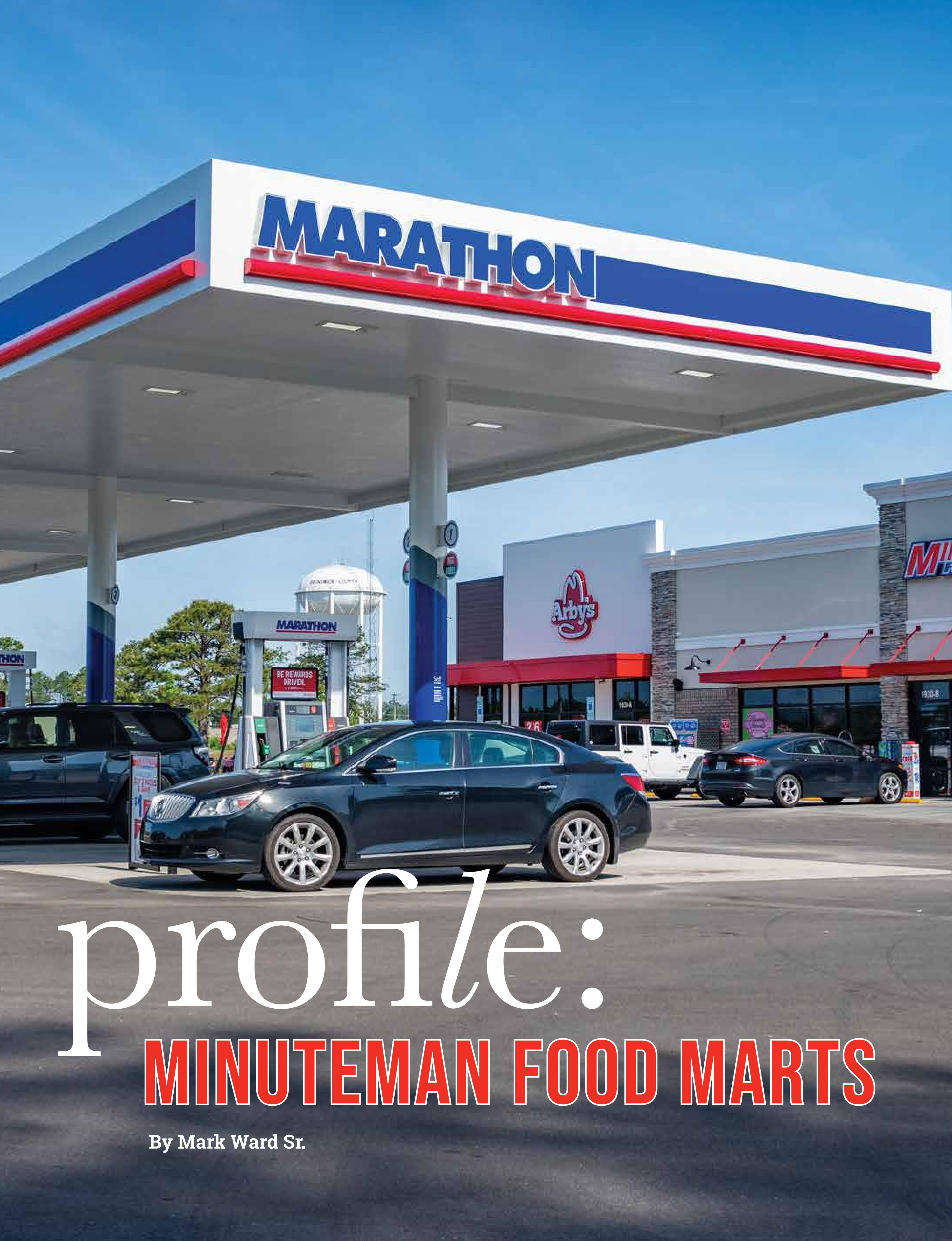
Another of SIGMA's strengths is its members. I have been fortunate to serve with many of them on the SIGMA Board of Directors, and I am pleased that new SIGMA members have offered their time and expertise to continue to guide the association forward. In this regard I would like to take a moment to thank SIGMA's outgoing Board of Directors members Joel Doucette, Wilson Oil Company, Brad Puryear, Mansfield Energy Corp., and Joe Zietlow, Kwik Trip, and I welcome SIGMA's incoming Board members and look forward to working with Stephen Hightower II, Hightowers Petroleum, Jeff Mansfield, Global Partners, and Brian Young, Young Oil.

SIGMA is a great organization and I am proud to be a part of it. SIGMA continues to add value to each member company and this value will expand into new areas as the liquid fuels industry evolves and changes. I strongly encourage you to take advantage of your SIGMA membership and to provide your feedback and observations to both the Board and to SIGMA staff. Your input and ideas are what will keep SIGMA thriving and relevant.

I would like to thank SIGMA's Board of Directors, Ryan McNutt and the rest of the SIGMA staff, and all of you for your support and for making my time as President something I can look back upon with pride. ★

Sincerely,

Richard Guttman, Guttman Energy
SIGMA President



profile: MINUTEMAN FOOD MARTS

By Mark Ward Sr.

Ten years ago, Campbell Oil Company reached a crossroads. Faced with a rapidly consolidating industry, the third-generation company had a choice to grow or be left behind. Based in Elizabethtown, North Carolina, the enterprise confronted two challenges: not only to attract outside executive talent into a family-owned enterprise, but to recruit leaders willing to relocate in a rural small town far from major urban centers.

"In 2012, our family and business underwent an in-depth strategic planning process," relates president and CEO Brian Campbell. "We saw that we needed additional management talent to execute our strategic plan. The challenge was finding people who would come to a small town. But we found that we could attract some excellent leaders, even though we were a smaller company, because we'd laid out a clear plan for our future."

Today, Campbell continues, "Our executive team has vast experience, mostly with publicly traded companies. And though most of the team were new to the petroleum industry, we learned that the experience they developed in other industries is portable ours."

One such executive is Chris Postlewaite, senior director of retail, who heads The Gas Mart—the retail arm of Campbell Oil Company—and its chain of 62 Minuteman Food Marts as well as 15 franchised QSRs across North and South Carolina. Postlewaite reports to Wesley Campbell, EVP, retail operations, and Brian Campbell's youngest brother. "The forming of our Advisory Board and creating our Strategic Plan," states the younger Campbell, "really gave us some clarity that we needed to build out our team to be able to execute on our plan. Fortunately, we have been able to add some really good talent like Chris to help us build out our infrastructure and put us in a position to hit our Strategic Goals. No doubt there have been recruiting challenges located in Elizabethtown, NC but we really have gotten some folks attention once we share our values, our culture, and our specific plans and goals for the future. I think being a family-owned business will continue to give us an edge on recruiting in the future as consolidation continues to happen."

"Before 2012," Postlewaite reports, "everything was run by the Campbell family whose experience was only in petroleum and convenience stores. Then they recruited other people who brought other experiences to the table, not just in petroleum but in marketing, sales, and operations with other industries." Postlewaite joined the team two years ago after more than 20 years in the convenience, restaurant, and foodservice industries, bringing high-level experience in hospitality, marketing, operations, and customer service. ▶

Minuteman Lumberton

Why would Postlewaite move to a small town in southeastern North Carolina? "It's about relationships," he explains. "A former boss of mine knew the Campbells. Building relationships with peers, coworkers, customers, and vendors is the backbone of any successful enterprise, The Campbells are family-oriented and strong on relationships. And since I joined the company, I've used my own relationships to build our retail team."

Another relationship Postlewaite has maintained is his previous involvement with SIGMA and its Foodservice Group. Earlier this year, The Gas Mart joined the association, he says, to "benefit from the networking opportunities, which are by far the most important benefit for us. There's such a breadth of people in SIGMA with whom I can ask questions and who are willing to share information and ideas."

Foodservice and Fueling

When Postlewaite was recruited to The Gas Mart in 2020, the operation spanned 44 Minuteman Food Marts. The following year, new locations were added through renovation and new construction. Then in June of this year, The Gas Mart acquired 18 Friendly Mart Food Stores, all in North Carolina. The Minuteman chain now stands at 62 sites, including a recent expansion into South Carolina with six stores in Myrtle Beach and the surrounding area.

"We don't grow just for the sake of growing," Postlewaite says, "but only do what makes sense for us. For the future, we currently have the infrastructure to handle up to 100 stores. But first we want to absorb our Friendly Mart acquisition."

Postlewaite's background in the convenience, restaurant, and foodservice industries is a key to Minuteman's growth—and affirms the wisdom of the Campbell family to recruit executive talent with experience outside the petroleum industry. In addition to its convenience stores, the retail division is an Arby's franchisee with four freestanding quick-service restaurants, as well as a Little Caesars franchisee with eleven freestanding restaurants. The Little Caesars Express is a limited menu concept which serves as the foodservice offering in seven of the Minuteman locations.

"Foodservice is a focus for us," says Postlewaite. "We're developing our proprietary 'Minuteman Kitchen' with grab-and-go items. And we have an opportunity to redevelop and expand Friendly Mart's foodservice program, especially their Friendly Dog which features the regionally popular, red hot dog."

Another glimpse of Minuteman's future is the chain's recent new build in Myrtle Beach. The "aspirational prototype," as Postlewaite calls the site, boasts a store of 3,600 square feet—and even wiring under the fuel island to accommodate a future electric charging station. The future is also in view with the recent hiring of a director of customer engagement whose job description includes developing digital customer services such as online ordering.

Along with foodservice, Postlewaite says that "fueling is a still a huge part of our revenues and not just a loss leader." Most Minuteman Food Marts feature four to six MPDs and sell either Shell, ExxonMobil, BP, Marathon, or Sunoco branded products. At the same time, Minuteman has recently shifted to private branding at selected locations as part of the chain's move toward greater emphasis on its emerging foodservice identity.

With more than 50 stores in small towns and rural locales across southeastern North Carolina, Minuteman has both an opportunity and a challenge. In these markets, Minuteman Food Marts are community institutions, a regular destination for locals and a sponsor of local charity campaigns.

"And because we're off the interstates," Postlewaite adds, "we can fill a niche for commercial fleets that otherwise wouldn't have places to fuel up in our region. So, we're adding high flow diesel and DEF to our fuel islands. We have a new Minuteman fleet card and we're adding the capacity to take Comdata fleet fueling cards at additional locations."

As a presence in southeastern North Carolina since 1979, Minuteman Food Marts enjoy strong brand recognition in its territory. "But expansion means entering markets where we aren't known," says Postlewaite. A recent image refresh updated the Minuteman logo and interior store image, he continues, "and our growing emphasis on proprietary foodservice will help differentiate us from our competition."

People are the Difference

Ultimately, believes Postlewaite, the most important differentiator for Minuteman Food Marts is its people. Recruiting and retaining ▶

Brian Campbell, Nick Peters, Chris Campbell, Bryan Esterly, Chris Postlewaite, Wesley Campbell, Mac Campbell, Philip Davidson, Paul Evans

Brian Campbell, Zac Campbell, Chris Campbell, Chloe Campbell, Mac Campbell, Sylvia Campbell, Phoebe Bullard, Connor Bullard, Wesley Campbell

Minuteman Leadership Max Gleason, Kathy Williams, Taneeka Barnes, Tina May, Amber Jacobs, Howard Plowman, Jennifer Leggett, Chris Postlewaite, Josh Scott talented district and store leaders are key, plus frontline store associates who embody the Minuteman motto: "Fast, friendly service with a smile!" Especially in small towns and rural areas, he notes, "Customers appreciate it when store personnel know their names and product preferences."

With that in mind, president and CEO Brian Campbell reports that all Campbell Oil Company divisions are implementing an "Employer of Choice" initiative. The effort encompasses more than 1,000 team members in both The Gas Mart retail division and the company's fuels and lubricants division.

The latter division, lead by Philip Davidson, a Coca Cola veteran, annually wholesales more than 100 million gallons of fuel across 13 states, has aviation fuel customers in seven states, services some 75 dealer accounts, markets lubricants in three states, and operates a fuel oil and propane business out of six locations.

"Differentiating ourselves from our competitors comes down to our people," affirms Brian Campbell. "That's why we've set a goal of becoming an 'Employer of Choice.' We just started this new initiative and I'm excited about the early progress we've made. This ties back to our core belief in taking care of our team members who take care of our customers. Doing this better than our competition will help define who we are. And it's simply the right thing to do, not just because it's good for the company."

Being an Employer of Choice, continues Campbell, entails three basic premises. First is a culture of collaboration and continuous improvement that, he says "recognizes the diverse strengths that our various team members bring to the table and then listens to and values their ideas." Second, he explains, is spreading talent across the company so that "team members are aligned in a way that empowers our entire organization to improve the business overall."

Third is putting significant resources into staff development and training. "We've made great improvement in formalizing what we're doing," relates Campbell. "The next step is to make training easy to navigate and access by leveraging technology. Staff development and training will be the key for us to minimize turnover as well as promote from within."

As a tie into this idea, Wesley Campbell adds, "A big focus for us the last year is in improving our corporate culture. Not that it was bad in the past, but we all saw opportunities to improve it. We have placed a huge emphasis on our core values of integrity, respect, teamwork, commitment, and caring. We are constantly encouraging all team members to hold each other accountable for upholding these throughout the organization. We have the goal to be an employer of choice in our markets and in my opinion having the corporate culture plays a big role."

Being an Employer of Choice reflects core values that have guided Campbell Oil Company since its founding in 1948 by Mac Campbell Sr. "My grandfather was the first man drafted in North Carolina to serve his country during World War II," says Brian. After the war, his can-do spirit prompted the elder Campbell to found an independent fuel oil and lubricant business to serve the local agricultural community. Son Mac Jr. joined his father in 1968 and the two men built their first convenience store in 1979. Mac Jr, known as "Mr. Mac", father of the third generation, headed the family company from the time of his father's death until he handed leadership to his sons. His work ethic, drive, high expectations, and relationships created the foundation of the culture that the entire Campbell Oil Company runs on today.

Today, ownership of Campbell Oil Company is split between four brothers, three of whom are active in the business. Joining Brian in the company are brothers Wesley and Chris, as well as Chris's children Zac, Phoebe, and Chloe who represent the fourth generation. "As a family," says Brian, "we embrace the unique perspective that each of us brings to the table. Yet we share a non-negotiable common goal: to do what's right for the business and our team members in a manner that follows our core values of integrity, respect, teamwork, commitment, and caring."

Brian agrees that, although "our SIGMA involvement is new, it's a relationship that we continue to value. The complexities of business are more than we can manage without being part of a group like SIGMA. The networking and relationship building among SIGMA members and vendors will be critical to managing our future growth as a company."

Plans for future growth are aggressive. Wesley states, "we are continuing to focus on our strategic growth plan and as it relates to the retail division include 4 NTIs and 3 raze and rebuilds in the next 24 months. We will also continue to be opportunistic ▶

Food Group

Customer Appreciation sandwich eating contest

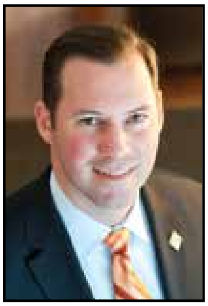
Minuteman Customer Apprication

on potential acquisitions provided they are a good fit with our strategic plan." Brian adds, "we updated our strategic plan in early 2020 and are projecting 70% growth over the next five years through acquisitions and organic growth. In 2022, we're on track with our plan and our executive team is dialed in."

That includes Postlewaite as he leads The Gas Mart retail division and expansion of the Minuteman Food Mart chain. "Like Brian, I agree that our people are the differentiator," he says. "I see our Employer of Choice program as a journey. We're doing surveys to ask our team members what they want. We can't be everything to everyone—but we can stive to be as much as we can."

Professional development classes for the Minuteman team have been launched, along with monthly and annual employee recognitions and awards. "These are steps that build on our core values and develop a positive corporate culture that helps reduce turnover, retains great people, and rewards them with opportunities for advancement within the company."

With a strong team in place, Postlewaite believes the future for Minuteman Food Marts is bright. "By developing our people," he states, "we can get the most out of our existing stores and position ourselves for success with new builds and any acquisitions in the future." ★



Inside SIGMA

BY RYAN MCNUTT, CEO, SIGMA

What's On Deck in 2023?

It's hard to believe another year is coming to a close! As we wrap up 2022, I am already excited about what SIGMA has planned for the coming year. We will kick of the New Year in Snowbird, Utah with our Executive Leadership Conference, followed by the Spring Convention in New Orleans in May, and we will conclude the year with our 2022 Annual Meeting in Philadelphia. In addition to these three large meetings, SIGMA looks forward to returning to in-person meetings of our best practices Share Groups in September 2023, focused on specific areas of your business including IT, Maintenance and Environmental, Transportation, and more. Watch for dates, introductions to new moderators, and agendas coming soon.

SIGMA's meetings provide a forum for peer-to-peer networking and sharing that sets us apart from others in the industry. You can find people at a SIGMA meeting (they aren't lost on the trade show floor), have a real conversation about industry trends or a sticky situation your company has faced – and how you solved it – and in the process, make a friend you can call on again for advice and support if the need arises. Being good at something isn't enough, however. SIGMA will continue to effectively manage resources to provide value. Towards this end, we recently redesigned the SIGMA website, have updated our database to provide better member integration, and are moving towards less paper and providing more digital resources. Be on the look out for a survey from SIGMA in the coming months regarding how you prefer to receive information from the association so that we may best meet your preferences and expectations.

As Richard Guttman mentioned in his Viewpoint column, SIGMA is extremely fortunate that our members are willing to give freely of their time to the benefit of the association. In this regard, I thank all of our outgoing Board of Directors members, and offer a warm welcome to those joining the Board in November. The combined experience and knowledge concentrated in one room during a SIGMA Board meeting is truly something to behold!

SIGMA will also continue its efforts to give you more information about what issues your state fuel marketer associations have as their priorities. We have developed strong relationships and had great conversations with many of the state association executives already, but if you are active in your state association and could facilitate the relationship with SIGMA, we welcome your assistance. It is my hope that an open exchange of information will benefit both SIGMA and the states, and will shed light on areas in which we can work together for the betterment of our industry.

So, as you can see, 2023 is going to be busy. I will also continue to interact with you and to work with our partners and sponsors to make SIGMA as strong as it can be. My door is always open and my cell phone is always on – please let me know how we are doing and what we can do better to continue to thrive. ★

Sincerely,
Ryan McNutt, CEO, SIGMA.

Washington WATCH

EPA Evaluates Expansion of Renewable Fuel Standard to Include E-RINs

BY TIFFANY WLAZLOWSKI NEUMAN

The Biden Administration is expected soon to release the finalized volume standards under the Renewable Fuel Standard ("RFS") program. As part of the proposal, which had moved to the Office of Management and Budget for final approval at the time of this writing, EPA is expected to make electric vehicles ("EVs") eligible for renewable fuel credits known as e-RINs under the RFS.

This would mark the largest change to the RFS in more than a decade.

For more than a year, SIGMA has encouraged EPA to utilize existing statutory authority to permit owners of direct current ("DC") fast chargers to generate Renewable Identification Numbers ("RINs") when the electricity is produced from eligible feedstocks.

E-RINs could spur investments in EV charging stations by enhancing the potential return on investment for fuel marketers and other businesses considering installing fast EV charging stations.

However, it is widely speculated that EPA plans to allow many different players into the e-RIN mix, including electric vehicle car manufacturers and EV charging equipment makers, among others. This will not only challenge EPA regulatorily but will constrain private sector investments in EV charging stations.

Amid public reports about EPA's pending announcement, SIGMA said in a statement to media that the fuel retailing industry appreciates that EPA is considering its advice to expand the RFS to incentivize EV charging investments ▶

alongside renewable liquid fuels but that "we are concerned at the prospect that the Administration will implement e-RINs in a manner that upends existing opportunities to unlock private investment in electric vehicle charging stations."

To spur private sector investment in EV charging, EPA should allow charging station owners and operators to capture the value of e-RINs.

The retail fuel industry has long used the value of RINs obtained from biofuel blending to lower the cost of the fuel sold to its customers. The value derived from e-RINs would help businesses like those in our industry overcome the financial challenges associated with installing charging stations and procuring and selling power to EV drivers and drive down the cost of that electricity to consumers.

The industry has worked with regulators for more than a year to ensure energy policies will lead to a viable market-based approach to EV charging and ensure long-term growth for this emerging refueling technology.

In a letter to EPA Administrator Michael Regan and in direct meetings with EPA, SIGMA said that if fast charging station owners could generate valuable e-RINs when EV drivers refuel, it would help offset some of the challenges created by demand charges and other electricity market obstacles.

Reports regarding EPA's e-RIN plans began to circulate just days after the Administration announced that it had finalized electric vehicle charging proposals for all 50 states under the National Electric Vehicle Infrastructure Program. More than $7.5 billion will be distributed to state transportation departments to install electric vehicle charging infrastructure along alternative fuel corridors.

State DOTs are now issuing Requests for Proposals (RFPs) to partner with the private sector for EV charging stations along alternative fuel corridors. Alternatively, they are seeking public comment on incentivizing private sector engagement with the state.

Fuel marketers nationwide are eager to invest in this emerging fuel technology. Unfortunately, under current energy policy, it is nearly impossible for businesses to make money selling EV charging.

If EPA follows through on plans to allow a variety of groups to access e-RINs, including car makers who already access tax credits, it would demonstrate a significant knowledge gap within the organization on how to motivate the private sector to invest in EV charging.

How e-RINs Should Work

As America's transportation energy policy continues to evolve, the RFS should also evolve to drive investment in new energy technologies.

E-RINs would offer the same opportunity for owners of DC fast charging stations that existing RINs offer for fuel marketers incorporating lower-carbon substitutes for petroleum gasoline and diesel.

The RFS created market-based incentives for fuel retailers to incorporate lower-carbon substitutes for petroleum gasoline and diesel. Marketers invested in new fuel dispensers and storage infrastructure to accommodate biofuels, as well as supply chain enhancements necessary to integrate agriculture-based biofuels into the petroleum distribution system and value chain.

RINs were the primary mechanism that has enabled the industry to evolve in this way. Today, the RFS has incentivized fuel marketers throughout the United States to invest more than $1 billion to bring alternative fuels to market.

RINs lower retailers' costs of goods sold, allowing biofuel blends to be economically attractive for consumers relative to purely petroleum-based fuels. The price differential has caused more customers, who are almost universally motivated by price, to gravitate toward those biofuels. This in turn prompts additional investment in those fuels.

E-RINs would work in similar fashion, allowing fuel marketers to see investments in fast, reliable EV charging stations as a clear opportunity to enhance their bottom line.

If fast charging station owners could generate e-RINs when EV drivers refuel, it would help offset some of the challenges created by demand charges and other electricity market obstacles. It would also align e-RINs with the RFS's broader regulatory and market construct, where the value of the e-RIN is shared across the value chain.

SIGMA will continue to advocate for charging station owners and operators to be able to capture the value of e-RINs.

The value derived from e-RINs could help unregulated businesses that do not operate in a guaranteed rate-of-return environment overcome financial challenges associated with installing charging stations and procuring and selling power to EV drivers. E-RINs can be that investment driver, just as RINs have driven biofuel investments for more than a decade. ★

Tiffany Wlazlowski Neuman represents SIGMA on public affairs matters.

Inside RISK MANAGEMENT

BY SENIOR NATIONAL ACCOUNT EXECUTIVE NATE OLAND, FEDERATED MUTUAL INSURANCE COMPANY

S.A.F.E. Driving Practices to Help Reduce Tanker Rollover Risks

Tanker rollovers are one of the most prominent risks for liquid-hauling rigs. Remaining mindful of the potential hazards of carrying thousands of gallons of highly flammable gasoline requires extra knowledge and care when driving.

SIGMA member Luke Family of Brands, of Hobart, Indiana, understands this, and operates with safety as their top priority. Chief Operating Officer Dana More notes that they conduct in-depth quarterly safety meetings with their drivers, as well as utilizing various in-cab technologies to help keep their drivers safe while behind the wheel.

More noted that they review the footage from the onboard camera systems with their drivers to bring awareness to hazards that they face every day. "We talk about unsafe driving behaviors that have been captured and discuss what we can do in certain situations to be safer and avoid issues or accidents," she said. In addition to these safety measures, Luke Family of Brands frequently reviews important safety topics in training, including the tanker rollover video and supporting material from Federated Insurance®.

Luke Family of Brands invests a great deal of time in training new hires, teaching them processes, procedures, rules, and regulations before they get behind the wheel of company vehicles. "There is no rush to get a driver through training," More added. "They must pass all tests and feel confident in their ability to perform the job safely."

The consequences of a tanker rollover can be dire, possibly resulting in life-changing injuries, environmental disasters, or death. In order to reduce your risks, take a close look at your fleet drivers' driving habits, and work with them to Drive S.A.F.E. (Speed, Attention, Fatigue, and Emotion).

Speed

As with any vehicle, encourage your drivers to watch their speed while operating a tanker truck. Tankers have a higher center of gravity, so they are more prone to tipping while changing course or turning at higher speeds.

The fluid nature of a tanker's load contributes to rollovers too. As the liquid in the tank shifts from side to side, the balance of the entire rig can be thrown off. This effect, called liquid surge, is especially true for tanks that are less than 80 percent full. Remind your drivers to fill and empty the compartments of their tankers to maximize stability. Liquid surge can affect the ability to maneuver and stop effectively, putting your drivers and others on the road at risk. ▶

Attention

Large vehicles require additional attention to handle properly, and communication equipment, like two-way radios and cell phones, are major sources of distraction. Keeping their eyes up, remaining alert, and continuous visual scanning can increase the chances they will detect and react to hazards such as debris, pedestrians, emergency vehicles, or unexpected traffic. Work with your employees and remind them to stay focused on the task at hand — reaching their destination safely.

Fatigue

Because of timing and distances between loading and delivery, tanker drivers can experience fatigue. If your drivers experience things such as: having difficulty focusing, keeping their head up, slipping short-term memory, drifting from their lane, and missing turns or exits, they might have a problem with fatigue. Remind them that whatever time they drive their route, it's important to maintain a healthy sleep routine. Fatigue is common for drivers who operate at night, when the human body naturally begins to power down. Adverse weather, extreme road configurations, and heavy traffic can drain their energy too. Keep these circumstances in mind when training your fleet drivers.

Emotions

While many events on the road are unpredictable, your drivers have control over how they react. Focus on training them to keep their emotions in check at all times behind the wheel of a company vehicle.

In addition, emphasize the importance of staying calm when confronted with unexpected obstructions in the road, skids, and unruly drivers; and train them to use their best judgment to decide how to handle the situation. It's important that they can recognize what triggers their personal emotional reactions so that they can better plan — or avoid — aggravating factors.

Create a Strong Driving Policy

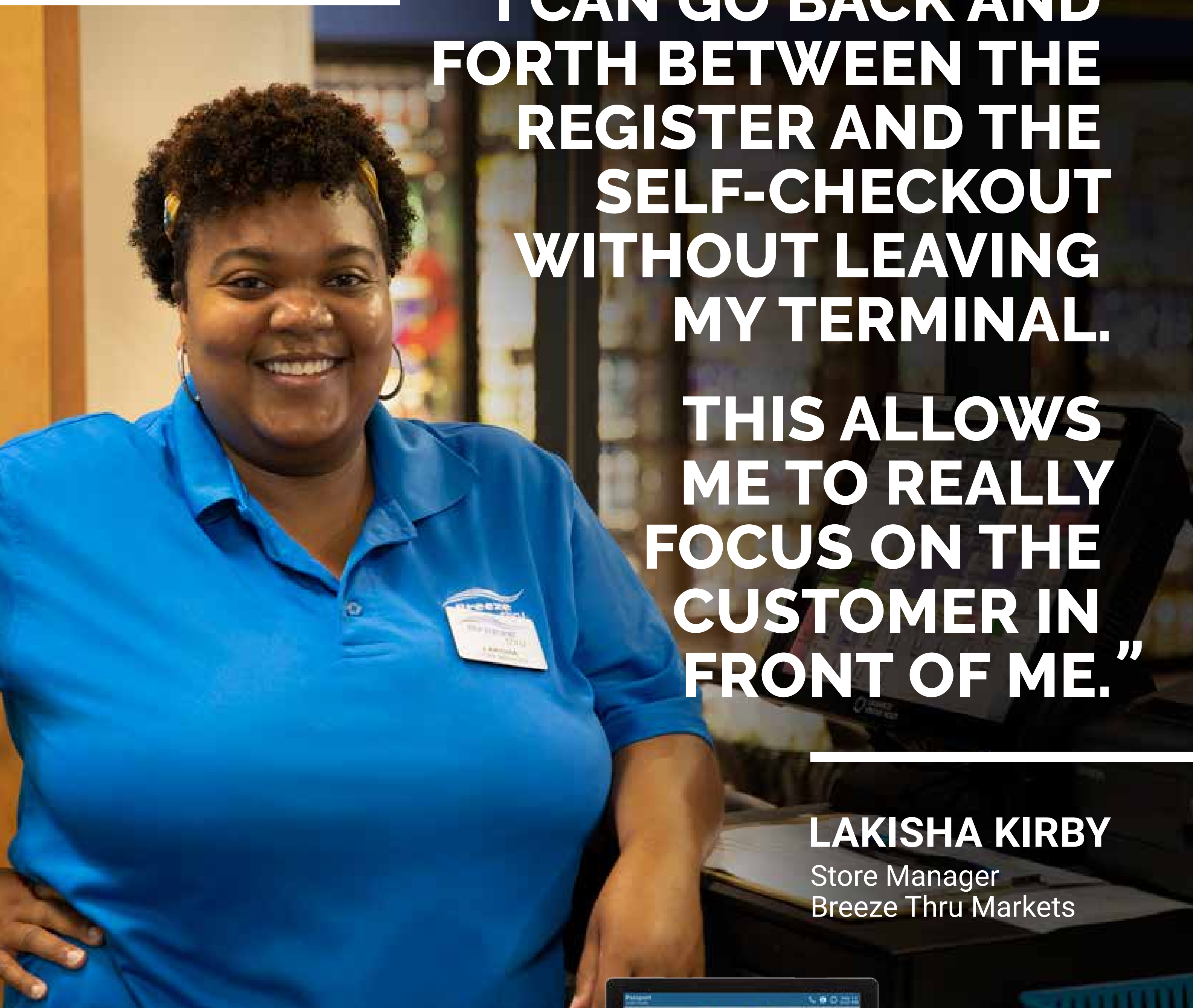
In addition to driving S.A.F.E., establishing a clear, enforceable set of driving policies that highlight your commitment to reducing tanker rollover accidents and injuries can help keep your employees safe. A strong policy could:

- Prohibit company drivers from using mobile devices and other distractions behind the wheel
- Where appropriate, incorporate driver standards and screening for company drivers
- Outline expectations for safe vehicle usage
- Clarify consequences for failure to follow the company policy
- Go beyond the minimum local, state, and federal laws applicable to your business

Tanker crashes and rollovers continue to wreak havoc on our nation's roads, harming businesses that rely on vehicles to move their products, and costing petroleum marketers millions of dollars every year. With each rollover, you have to consider the overall damages, environmental impact, and the safety of your drivers and others on the road.

Communicate openly with employees, and understand that although your bottom line is important to uphold, the lives of your employees and others on the road cannot be replaced if there is an incident. While you can't completely eliminate rollovers, practicing S.A.F.E. driving can help keep you mindful as you drive to help manage some of the risks. ★

GILBARCO VEEDER-ROOT™



"I CAN GO BACK AND FORTH BETWEEN THE REGISTER AND THE SELF-CHECKOUT WITHOUT LEAVING MY TERMINAL.

THIS ALLOWS ME TO REALLY FOCUS ON THE CUSTOMER IN FRONT OF ME."

LAKISHA KIRBY
Store Manager
Breeze Thru Markets

The Passport Express Lane self-checkout adds a definite "wow" factor. With self-checkout, customers have the option to side-step the line and be on their way. That can be very helpful if lottery tickets are a popular item with your c-store clientele. Self-checkout improves the customer experience and lets your team members work more efficiently while putting the "convenience" back in "c-store".

To hear more from Lakisha, and see the full suite of Passport POS products in action, visit info.gilbarco.com/lakisha

Inside
CONVENTIONS

SIGMA's 2023 Executive Leadership Conference in Snowbird, UT

Make your plans now to join SIGMA in Snowbird, Utah January 29-31 at the 202 Executive Leadership Conference! This meeting is one of the most exciting in the industry. Designed for forward-thinking leaders in the motor fuel marketing industry, SIGMA's ELC workshop education format allows you to gain insights on how to improve your business and better compete in today's market.

Why you should join SIGMA in Snowbird for the 2023 ELC?

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Why an ESG Strategy Is Necessary to Your Future Business Success

BY PDI TECHNOLOGIES

There are all different types of business plans and strategies that are essential to the success of your business. Founders create plans that define the business and marketers craft marketing plans to promote the brand. Many plans are data-driven and heavily researched, resulting in clear action items and goals.

An ESG strategy is no different, just something you may not have considered or created for your business…yet.

What Is ESG?

ESG stands for "Environmental, Social, and Governance" and is used to evaluate non-financial areas of a business that can impact its integrity and financial performance. Having an ESG strategy allows a business to demonstrate that they care about how they impact the world and the people around them.

The environmental aspect of an ESG strategy focuses on how a business uses resources and how those resources affect the environment. Carbon footprint is taken into account, as well as a company's energy footprint, water usage, waste streams, and other factors.

The social area of ESG focuses on employees and local communities. Stakeholders increasingly expect organizations to consider the impact of social matters on their business models and operations, and across their value chains. Additionally, regulators and governments across the globe are looking at integrating social matters into policymaking and disclosure rules. The scope of social matters is broad and includes human rights, health and safety, employee engagement and satisfaction, diversity, equity, and inclusion.

When it comes to the governance portion, the ESG strategy is integrated into existing organizational structures, functions, and processes to ensure company policies (such as bribery and corruption, taxes, and political lobbying) are being followed and transparent. For instance, aligning the stakeholders with your overall ESG strategy to determine how to take on oversight responsibilities, create an ESG-aware culture, and create structures that incentivize and reward these mindsets.

Altogether, an ESG strategy helps a business function responsibly and within the confines of the law. It maintains compliance, keeps employees feeling valued and cared for, and allows the company to keep an eye on its environmental impact. The strategy will ultimately have an impact on the bottom line of a business, whether directly or indirectly.

Why Do You Need an ESG Strategy?

Even though formulating an ESG strategy is a relatively new idea, crafting one now sets you up for success ahead of inevitable government regulations. Climate change will touch every business at some point and being prepared will help your brand stand out from the competition by addressing key areas we instinctively know will only grow in importance.

Become a proactive participant in environmental consciousness for consumers, gain appeal with investors, and increase ▶

employee loyalty. A growing majority of consumers, especially younger generations, want to associate with companies that care about the planet, and an ESG strategy will identify how effectively you're doing that.

How Do You Show the Impact of an ESG Strategy?

A successful ESG strategy will leave you with concise metrics you can share. These metrics may include growth, impact, positive change, or areas of improvement. It's information that key stakeholders can consume and consumers can easily understand.

Brand reputation has always been a major factor in a company's success. Demonstrating your data-driven commitment to the environment and your employee's satisfaction will strengthen your brand identity.

How Do You Align Your Strategy to Larger Climate Goals?
To harness your ESG data most effectively, it's best to position yourself against larger goals set by regulatory organizations. This will also allow you to meet multiple objectives of your strategy at once.

The recently proposed rule from the Securities and Exchange Commission (SEC) is one such area to target. If the rule passes, the SEC would require any business registering with them to provide four pieces of climate-related information. This information would be required upon registering, but the SEC would retain the right to follow up and ask for periodic reports.

The four areas of disclosure this rule would require include:

- How you're governing climate-related risks
- How climate-related risks are impacting, or may impact, the financials of your business
- How climate-related risks are impacting, or may impact, your business model and goals
- How, financially speaking, a naturally occurring, climate-related event could impact you

Businesses will also be asked to report on their greenhouse gas emissions.

Aligning your ESG strategy with mandates that are already in place enables you to show compliance, remain transparent, and make timely strides toward reducing your environmental impact.

Is There an Operational Benefit to an ESG Strategy?

Brand building aside, formulating an ESG strategy can help improve your bottom line. Integrating environmental practices into your operational plan can create sustainable and cost-effective strategies. For example, reducing your company's energy usage and water consumption lowers your carbon footprint, but also saves you money.

Keeping an eye on internal metrics—including employee satisfaction and safety—can also save you money in the long run. Less turnover means fewer expenses toward training and onboarding, and fewer workplace accidents means lower injury costs and increased productivity.

Complying with regulations, whether they're required or recommended, can also reduce your expenses. There's less risk of citations or fines when you're already operating well within existing parameters.

How Do You Develop Your Own ESG Strategy?

The most important component to any ESG strategy is that it produces a tangible impact. Set realistic goals and track the data that substantiates how you achieved those goals. Your goals should also align with the mission of your business and meet stakeholder requirements.

It may be worthwhile to bring in an ESG expert or partner with an organization that helps you draft and manage your strategy. Key areas to highlight in your ESG strategy and report on include:

- Greenhouse gas emissions: Reporting should be accurate and inclusive of your entire production process,
- Environmental footprint of your product: Calculations should cover the entire lifecycle of your product(s),
- Regulatory compliance data: Measure and evaluate where your business is currently and where you need to be to stay within compliance,

It often helps to target ESG initiatives that will help grow your business. Partner with certified projects that align with your mission and help you reach your goals. Don't vaguely state that you plan to reduce your emissions by 2024. Instead, develop a tangible and specific goal such as reducing emissions by three percent over the next five years. Don't promise to merely review employee diversity complaints. Instead, commit to hiring an additional HR employee tasked with improving diversity by 2023.

No matter what goals you set, remember that it's up to leadership to drive progress. Without the commitment of a proactive leadership team, the success of your ESG strategy could be put in jeopardy. Leadership also has the best vantage point to understand the overarching impact of ESG goals in both the long and short term.

Don't Forget to Talk about Your Plan

Creating and executing your ESG strategy is hard work, and you shouldn't keep this accomplishment to yourself. Share your results with not only the public, but also your employees and key stakeholders.

Craft a message that is thorough and transparent without being full of jargon. Social media is always a good way to reach consumers, and press releases often speak directly to those within your professional circle. It's also important to create a channel in which to receive feedback and maintain open communication between your business and your stakeholders.

The Time for ESG Is Now

Adapting to changing compliance mandates and government regulations is not a new action for most businesses. What's changing is how environmental and social requirements play into the picture. In order for businesses to stay relevant and maintain a positive reputation in the eyes of consumers, ESG plans are increasingly necessary.

Although it may seem like a hefty task, creating an ESG strategy offers a wide range of benefits, from streamlining production to raising profits, attracting high-quality employees, and creating loyal customers. You can gain all of this in addition to reducing your carbon footprint and creating a brand that's compliant with key environmental mandates. An ESG strategy covers it all. ★

SIGMA

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Cliff Lodge
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MAY

Spring Conference
May 2-4, 2023
Roosevelt New Orleans
New Orleans, LA

NOVEMBER

Annual Conference
November 7-9, 2023
Loews Philadelphia Hotel
Philadelphia, PA

Inside

FAMILY BUSINESS

PRESENTED BY RONALD C. REECE, PH.D. –
ADAPTED FROM AN ARTICLE BY GLENN R. AYRES

Team "Bee"-havior

My wife and I spent the last two weeks of September in the Quebec Province of Canada. On several occasions we encountered honeybee hives, both in the major cities and the countryside. Each occasion reminded me of my special interest in these unique and important creatures.

Everyone knows how industrious honeybees are, but they are so much more. Like many insect and animal groups, if we humans pay attention, they have much to teach us about working together and survival.

The seeds of my curiosity and interest in honeybees began when I was six or seven years old. A much older neighbor friend was a member of the Future Farmers of America. He had several hives and one day I went with him to see about them. I can still vividly recall when he removed the cover. Wow! Even today the fresh hive smell comes back when I think about that experience. Having been reminded of my experiences here is a reminder for you.

Eventually, I had my own hives. On lots of spring days I would sit nearby and peacefully watch as worker bees entered and exited the hive at an amazing rate. One after another they would bring materials for production. They seem to flawlessly know where to find the best of what they needed. In their gathering they fill their sacs with pollen and their bellies with nectar to be deposited in just the right department within the organization to achieve the highest production. The hive is a magnificent place with each of the 60,000 to 90,000 bees knowing exactly what its particular purpose is. The complex nature of interactions and level of communication is truly unmatched. There is no confusion.

There is a CEO, the queen. Her job is to keep things moving and provide leadership and of course continuously populate the hive. She has her court, the VPs, if you will, along with drones, and workers. There are bees that nurse the young, others that scout for raw materials, and still others who guard the entry or clean the hive. The teamwork of these hive members is excellent, and the results are sweet. The product is honey, and it is the source of food for the hive. Now consider that it takes 156,000 hours to produce one teaspoon of honey and a strong hive will produce 50 - 100 pounds in a season. I wish that I could be as deliberate and productive day after day. Talk about a team! Bees know how to do it!

Yes, even from the smallest of insects to the most complicated of human productivity there are teams; groups that are small or large defined by function, direction, and vision. Teams develop and manufacture products, and teams deliver services of all ▶

types. Pyramids were built with small teams quarrying rocks and larger teams moving them into place. Whether it is sports teams or NASA teams, they are necessary and they work.

Human teams require time and deliberate effort to develop and become effective. Just putting two or more people together even if they are family and expecting "sweet" results is folly. Team development in humans has been described as going through stages of Forming, Storming, Norming, and Performing.

In the Forming Stage people are polite, objectives are unclear, strengths and weaknesses of individuals aren't well defined, and listening is usually poor. As the group continues to be together the Storming Stage is noticeable because there is more debating, idea generation, testing, and challenging. In the Norming Stage patterns of interaction, group rules and operating procedures emerge. This is also referred to as consolidating. In the Performing Stage there is a maturity with high levels of trust, personal obligation, commitment, efficient use of resources, and adequate attention paid to the member needs as well as the tasks or purposes of the team.

Successful teams have good members who make individual sacrifices/go the extra mile and perform on behalf of the team in accord with the goals of the organization. Worker bees sacrifice much as they travel miles a day to find pollen and nectar and bring it back to the hive. Their life span is only about six weeks and by the third week close examination of their wings reveals tears and tatters from the extreme wear and tear. Busy as a bee is indeed a truism.

Teams are also known to be more successful when they assist others. Looking beyond themselves to a greater good or widespread contribution to the whole of community or nature increases a sense of well being in humans. I see this all the time in family business philanthropy. Guess what? Honeybees do that as well. As they work within their team purpose to produce their product, day after day they significantly contribute beyond themselves to our well-being. They pollinate our fruits, vegetables, and flowers therefore we need to treat them well.

So, what lessons can we learn from the hive. Here are a few:

- Know your job and do it well
- Fly fast but with purpose
- Make noise but make sense
- Take care of the team leader
- Nurture your successors
- Creativity is important, but patterns and systems matter
- Give to others as you work for yourself and your team

The amazing honeybee and so many parallels but one glaring difference, there are no egos in the hive. In the hive all Team "Bee"-havior is directed instinctively by the motive of 'what's in it for us?' not 'what's in it for me?' Oh well, we are still evolving.

Soon,
Ron

Ronald C. Reece, Ph.D. *is a Consulting Psychologist who Specializes in Family and Closely Held Business Consulting.*

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Email reeceassc@aol.com • Website www.ronreece.com

2022 Boyett-Greinke Industry Scholarship

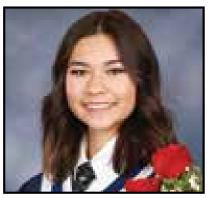
Lindsay Crank

I am an Accountant at Pilot Company headquartered in Knoxville, TN where I specialize in business partnership relationships. I started in the fuel industry in 2019 in Pilot's Accounts Receivable department working to resolve issues with fuel transactions for professional drivers. Currently, I am pursuing an MBA with a concentration in Data Analytics at Louisiana State University - Shreveport with the goal of planning and projecting future trends in the fuel industry. When I am not at work or school I enjoy spending time with friends and I am very involved in my church.

Pilot Company | Louisiana State University - Shreveport

2022 Pay It Forward Scholarships

Marilyn Selvitelle Award



Anette Cheyne

I am beyond honored to be a recipient of the 2022 Pay it Forward Scholarship. I graduated from Southridge School in Vancouver BC, where I immersed myself in many extracurriculars such as dance, field hockey, swimming, performing arts, music, and media studies. I was fortunate to find a great sense of community within these programs and my overwhelming gratitude is what shaped the initiative to give back to those around me, and support causes I am passionate about. From volunteering at Surrey Urban Mission's soup kitchen, Semiahmoo House Society events, to working as a summer camp leader and being able to foster the same passion with kids of all ages, I have really grown to not only value, but love the act of service as it carries and intersects throughout my life. I am currently in my second year of studying psychology at Concordia University in Montreal, QC. I hope to attend graduate school and work in a field where I can continue to connect with and empower others.

Parkland Fuel Corporation | Concordia University

Josh Davis

I am originally from Carlsbad, California, but I now attend Utah State University as a freshman this year, studying business as well as play football for the school. I am so appreciative of the Pay It Forward Scholarship opportunity, and how it will aid me in furthering my education and progress toward a degree. To me, "Pay It Forward" are three words that everyone should live their life through. If each person across the globe lived with the mentality of "Pay It Forward", our communities would be filled with selfless and caring individuals that make a difference by helping others at every possible opportunity.

SC Fuels | Utah State University

Jessica Telizyn

I am in my senior year at Dalhousie University, completing a Bachelor of Science Honors in Neuroscience with a minor in Entrepreneurship and Innovation. As a Dobson Loran Scholar, I have had the opportunity to work in public policy, technology, and emergency housing. Further, while at Dalhousie, I have been a member of the women's varsity rowing team and coach speed skating in the community. I am especially passionate about supporting survivors of sexualized violence and keeping girls and women in sports. I am applying to medical school and plan to work in rural medicine.

Parkland Fuel Corporation | Dalhousie University

Sara Nivens

I am from Gainesville, GA, and this is where my great parents, grandparents, and parents all grew up. It is home. I attended Lakeview Academy, and in high school I was very interested in all types of sports. I played a total of five sports throughout my high school career with soccer and basketball being my favorites. This year I am attending my dream college, The University of Georgia. Here I am studying business marketing. I am involved in Greek life, and my free time I enjoy running and long walks, cooking healthy recipes, and spending quality time with my friends and family. Thank you so much to the SIGMA Fuel Foundation for the help and support. It is very helpful and means so much to me!

Sun Valley Energy | University of Georgia

Scholarship Recipients

I am the Fuel Optimization Manger at Casey's General Stores and currently manage fuel supplier relationships, oversee supply data and systems, and work with our transportation group to optimize our fuel procurement activities. Prior to fuel supply, I spent two years working on the retail fuels team building out centralized pricing and optimization strategies for our chain of over 2,400 stores. Before Casey's, I worked in the grain industry as a merchant and risk manager. I enjoy staying physically active with outdoor activities, spending time with our two young daughters, and am very involved with our local church. I earned a bachelor's degree in Agricultural Business from Iowa State University. I'm working on a master's degree in Business Administration with a Data Analytics Certificate through the Tippie College of Business at the University of Iowa.

Casey's General Stores | University of Iowa

Joel Pudenz

I am going to be a freshman this year at the University of Wisconsin - Madison, where I am studying computer science and theater. In high school, I was heavily involved in both areas through various activities. Additionally, I was a part of Key Club, National Honor Society, Diversity Club, and Student Council which all allowed me to provide service to my school and community. I believe it is important to pay it forward because it uplifts our communities and improves everyone's quality of life. I would like to extend my deepest thanks to SIGMA for providing me with this scholarship and allowing me to pursue my education and empowering me to pay it forward in my new chapter of life.

U.S. Venture | University of Wisconsin - Madison

Chelsea Poppleton

I am currently in my first year attending the Rochester Institute of Technology. I am studying Computer Engineering with the hopes of earning at least a bachelor's degree and securing a job in the aerospace or robotics industries. I am honored to be a recipient of the 2022 Pay It Forward Scholarship. When not at school or with my family I spend most of my time serving my community as a volunteer firefighter. I would like to thank the scholarship committee for recognizing my potential as a student and honoring me with this outstanding scholarship. This scholarship will help to offset the many costs related to furthering my education.

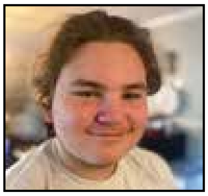
Delta Sonic | Rochester Institute of Technology

Nathan Winiarski

I am currently in the fourth and final year of my undergraduate education at Santa Clara University studying public health sciences, sociology, and biology. The Pay it Forward scholarship has given me the opportunity to further my interdisciplinary studies and dedicate more time to volunteering and community outreach. I have learned the importance of paying it forward through my work advocating for mental health and wellness resources at Santa Clara because I can use my privilege and support system to fight for a more accessible and equitable for all students who may not have the same resources. I plan to continue addressing health inequities as I graduate this June and enter the workforce. I am thankful to have received this scholarship and will take full advantage of the opportunities it provides me.

Anna Murrin

Roady's Truck Stops | Santa Clara University



I am currently a freshman at Purdue University studying engineering. I hope to go on to aerospace engineering and further on to a career in the aerospace industry. I am originally from Glen Mills, Pennsylvania where I learned about the Pay it Forward scholarship through my involvement in Wawa, Inc. I am also a pilot, and this scholarship will help me in my endeavors to continue my flying career along with my education. I am greatly honored to have been awarded this scholarship and I cannot thank the Fuel Foundation enough.

Wawa, Inc. | Purdue West Lafayette

Ben Goodwin

I am from Syracuse, New York and I currently attend High Point University about to enter my sophomore year. I am a member of a service Fraternity we have on campus called Alpha Phi Omega (APO). APO has taught me the true value of paying it forward. I would like to thank the foundation for awarding me this scholarship and helping me pursue a degree in business administration where I am planning to go into the human resources field where I can continue paying it forward in my career as well as my free time.

Delta Sonic | High Point University

Brandi Harmon

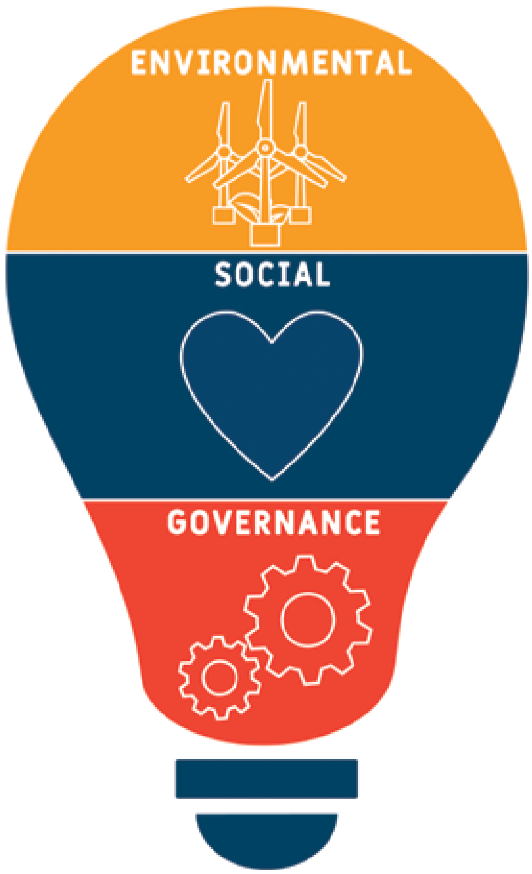
EVALUATING TODAY'S ESG ROLE

BY MAURA KELLER

These days, the topic of environmental, social and governance (ESG) strategies taking precedence throughout boardrooms and c-suite offices gracing businesses of all sizes.

Historically speaking, it's important to understand that ESG is nothing new – it grew out of the sustainability movement of the early '90s and early 2000s, which started to put pressure on the corporate world to consider the social and environmental impacts of their actions in addition to the traditional financial bottom line.

Valentina Fomenko, founder at Strategy DNA, is a business strategist who works with organizations large and small helping them solve big strategic issues including, climate readiness and sustainability.



"The triple bottom line approach later morphed into the approach called corporate social responsibility (CSR), which focused primarily on philanthropy and, basically, reputation management," Fomenko says. "ESG is the next stage of this development, and what's different this time is that it's driven primarily by investors."

In addition, ESG places focus on the separation of power and duties, who and how makes key decisions within companies, and other ethical considerations in doing business.

But despite all the frantic activity and noise around ESG, Fomenko believes it is too early to say that ESG has truly impacted something as fundamental as business models.

"Many companies – especially mid-sized and smaller businesses – still believe that they 'wait it out,' simply report on some of the key metrics, or continue relying on their philanthropy or community activities to maintain their public image," Fomenko says.

This approach can work in the short term, but it's not sustainable in the long term. ESG is like any other massive shift: it offers countless opportunities. Yet most companies fail to recognize and act on this fact – exactly because capitalizing on opportunities requires changes to their business models, rather than a simple reporting exercise.

"In all fairness, for owners of small or mid-sized companies, all this can be incredibly confusing. But those who take the time and effort to reassess their operations, switch to new technologies, rethink their choice of suppliers, or their product lineup, through the lens of ESG, are best positioned to reap reputational – and financial – benefits long-term," Fomenko says.

Embracing the "Why" of ESG

Whatever you call it, ESG, sustainability, or corporate responsibility, there is a growing recognition that companies need to focus not only on tending to their bottom lines, but also on their impact on communities, the environment, and society as a whole. As Fomenko explains, according to a 2020 study by IBM and the National Retail Federation, almost 70 percent of North American consumers think it is important that a brand is sustainable or eco-friendly.

'Companies that voluntarily report their carbon emissions can save on average $1.5 million every year in interest repayments because of the lower cost of capital," Fomenko says. "In some industries that are further along this transition, being 'sustainable' is a 'table stake,' something expected of every market player. A thoughtful, measured ESG strategy can help prevent bad publicity, counteract societal biases, and stand out against the competition."

Iliya Rybchin, partner at Elixirr Consulting, a global management consulting firm, works with c-suite executives across a number of industries helping solve critical strategic challenges. Rybchin says the most critical thing companies need to establish when developing an ESG strategy is separating "ESG theater" from real ESG strategy.

"Too many companies (perhaps the majority) are merely engaged in ESG theater," Rybchin says. As he explains, ESG theater is essentially a show some companies put on for the benefit of investors, customers, and employees. It consists of bold but unreasonable claims (e.g., "we will be carbon neutral by 2030), greenwashing (e.g., buying carbon credits to offset a company jet), posting touching but vacuous statements on their websites, reporting vague and hard to verify metrics, and establishing countless committees and working groups ▶

who stage workshops, seminars, and offsites that lead to... no tangible and measurable actions.

"In May 2021, approximately 20% of earnings reports of 10,000 global companies mentioned ESG," Rybchin says. "A year later, very few of those companies were able to report any meaningful progress or outcomes. They continued making feckless statements about the importance of ESG and all the initiatives they had in place. Initiatives are good. Results are better."

According to Philip Mirvis, co-author of Sustainability to Social Change: Lead Your Company from Managing Risks to Creating Social Value, returns-on-investment from companies with strong ESG profiles have outpaced industry averages by 15 to 30% annually for the last ten years.

"Nowadays, a good ESG record is a sign of a well-run, forward-looking business. And it's what stakeholders – customers, suppliers, employees, and investors – expect from your business," Mirvis says. "In years past, ESG was mostly seen through the lens of 'risk management.' No business wants to be seeing doing terrible things, so the operative message was 'do less harm.'

The next challenge is to 'do more good.' Consumers worldwide today want brands that both 'solve my problems' (85%) and help to 'solve society's problems' (80%). So, in setting up a strategy for ESG you must address two questions: How can I reduce the negative impacts of my business and its products/services? And how can I enhance the positive impacts?"

Holding a Position

There are many ways to communicate company's position and its actions in the ESG space. But before selecting the best social media channels to blast company's ESG messaging out to the world, make sure to focus on results.

As Fomenko explains, most companies take great pleasure in reporting on their environmental or community initiatives, but they only communicate about what is easy to observe: their own actions or investments.

"They rarely, if ever, report on their total impact, and the results their actions generate. Granted, the outcomes of our actions can be difficult to measure, but they are much more powerful in painting a true picture of companies' intent and impact," Fomenko says.

Most importantly, make sure that a company's public position on ESG issues aligns with its strategy, values, and goals, and that it contributes to the entity's long-term profitability, not just a short-term market positioning. Then, Fomenko advises companies work to keep everyone internally aligned on the message in public. Consider appropriate "guardrails" for outside communication, such as guidelines for posting on social media when it comes to ESG-related topics.

"Make sure your employees have effective channels to have their voices heard and prove your responsiveness to what your customers bring up," Fomenko says.

So, what are the 'must have' components of an ESG strategy? The true value in compiling, analyzing, and reporting ESG information can only be realized when efforts are focused on issues that matter most. This is why Fomenko says any company developing an ESG strategy should start with a materiality assessment, which is a process through which it can identify and prioritize those aspects that matter most to the company, its employees, customers, community, and other stakeholders, from an economic, environmental, and social perspective.

"With the scope of potentially relevant ESG issues constantly expanding, it is critical to have a solid framework to focus activities around themes that make a real difference for the company – and the world," Fomenko says.

A materiality assessment is especially important for smaller companies because it allows them to focus their limited resources on issues that are truly critical, can support their business goals, and are feasible from an implementation standpoint.

The other key component Fomenko identifies of an effective ESG strategy is setting specific, realistic goals. It is important to outline risks and opportunities to the business, what's currently working well, what could be further developed, evaluate the business case for each issue, any associated risks and opportunities, and your progress in addressing them thus far. "Ultimately, ESG goals should reflect broader industry changes and the concerns of your key stakeholders," Fomenko says.

Finally, an ESG strategy should include a clear, specific implementation plan. The goal here is to come away with a set of actionable initiatives that the company can integrate into its daily operations. Assigning internal accountability for implementation and leveraging existing company strengths are going to be critical to achieving ESG aspirations.

Rybchin agrees that while companies recognize the importance of ESG, few have any idea where to start and even fewer are willing to make the effort to do it right... oftentimes requiring them to take some difficult actions.

Therefore, a real ESG strategy must consist of a company holding itself publicly accountable to tangible actions that deliver impactful and verifiable outcomes.

"Doing ESG well is not rocket science" says Rybchin, who offers a simple five-step ESG approach:

1. Define what ESG means and what the desired goals/outcomes should be
2. Develop the ESG strategy and prioritize initiatives for delivery
3. Test the key initiatives and assess viability of implementation
4. Validate initiatives meet objectives and develop execution roadmap
5. Scale activities, monitor results, and adjust as needed based on new data

"Ultimately, ESG is about action not talk. Companies have gotten good at the talk. There are entire departments at many leading PR firms dedicated to helping clients draft ESG messages and tell ESG stories," Rybchin says. "However, very few companies are leading with action. Buying carbon credits, hiring a diverse executive, making a financial donation to an important social cause, or having employees complete an online corruption course create the perception of a company taking action. However, without an effective (and bold) strategy those actions will not lead to any meaningful impact." ▶

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Mistakes To Avoid

The biggest mistake when it comes to ESG strategies is to have no connection to the company's business strategy. This disconnect shows up in different ways. Some companies just freeze and wish that "the ESG problem" will simply go away. Fomenko says an opposite, knee-jerk response is to frantically respond to every request from reporting entities, every customer request, or any activist demand. As a result, companies are left with escalating expenses and time spent on reporting on what seems like an ever-expanding set of disjointed metrics, activities, and initiatives.

"Many companies start with tactics and just focus on specific initiatives that 'feel right' or 'sound good.' After putting much thought, effort, and resources into sustainability programs, companies find themselves struggling to understand how this activity can support their financial bottom line," Fomenko says. "As society expects more from businesses, business leaders now expect more from their sustainability programs in terms of business impact, yet many programs have not been set up right from the very start."

Mirvis advises that companies cannot fake it. As he points out, British Petroleum once promised to go "beyond petroleum" and Chevron had a PR campaign that "We care…about the environment." Empty promises and greenwashing.

"It helps to understand why customers choose you. At Shell, managers worked the pumps at petrol stations in the UK and staffed store counters. They engaged customers, shared some ideas on ESG, and asked for feedback," Mirvis says. "Now not every consumer cared about ESG, but they were surprised to learn that Shell did and follow up studies found that customers' opinions about Shell (and the industry) improved dramatically."

Finally, as the interest in ESG has been spreading like wildfire, societal fatigue and mistrust are starting to creep into the conversations surrounding sustainability. As Fomenko points out, any self-respecting company is now expected to have a climate and sustainability as well as a diversity and inclusion policy, yet the true value of such statements is shown in concrete action.

"Many companies fail the public scrutiny, are rightfully accused of greenwashing or "social washing," and are seeing growing pushback from consumers and employees," Fomenko says.
So, is the ESG movement hear to stay? Well, unlike the previous waves of interest in sustainability and social impact, there is now a real desire not just to measure companies' impacts, but also to manage them. And this is not going to let up, say the experts.

"In the near future, we will see a lot more refinement around terminology, clarification, and harmonization of various reporting frameworks. This is critical for reducing confusion around ESG – and enabling businesses to act," Fomenko says. We are also seeing some well-substantiated backlash against the thoughtless or unnecessarily heavy-handed application of ESG to the detriment of economic stability, so Fomenko expects to see more practical approaches that balance ESG considerations with the focus on how performance in this area can support companies' bottom line.

"At the same time, there is a groundswell of public demand for transparency and integrity when it comes to ESG," Fomenko says. "I am expecting a rapidly diminishing tolerance for greenwashing or social washing. In this environment, for any business looking to develop and implement an ESG strategy, less can be more." ★

European Gasoline Imports Remain Key for Supplying U.S. Atlantic Coast Consumers

BY ANNA TRIER AND JANET MCGURTY, S&P GLOBAL COMMODITY INSIGHTS

• IMPACT OF UPCOMING EU RUSSIAN SANCTIONS REMAINS A QUESTION MARK
• FRENCH REFINERY STRIKES CUT MEDITERRANEAN SUPPLY

DESPITE EYEBROW-RAISING NATURAL GAS PRICES AND STRONG DOMESTIC INCENTIVES TO PRODUCE DIESEL, EUROPEAN GASOLINE EXPORTS INTO THE U.S. ATLANTIC COAST (USAC) STILL MAKE UP THE MAJORITY OF BARRELS IMPORTED INTO THE U.S. ATLANTIC COAST SINCE RUSSIA TURNED THE WORLD ON ITS HEAD IN FEBRUARY WITH ITS INVASION OF UKRAINE.

While the USAC is a key import region, boasting one-third of the total U.S. population, it has just five gasoline-producing refineries. As a result, the region's supply dynamics are often more sensitive to global markets. While the East Coast is fed primarily by domestic supply out of the U.S. Gulf Coast, European exports play a leading role, comprising over 50% of all gasoline imports in any given month. The region's demand dynamics, on the other hand, have an outsized influence on the rest of the world, whether outbidding Lima, Ohio or Lima, Peru for Gulf Coast supply, or attracting the marginal barrel from South Korea or India.

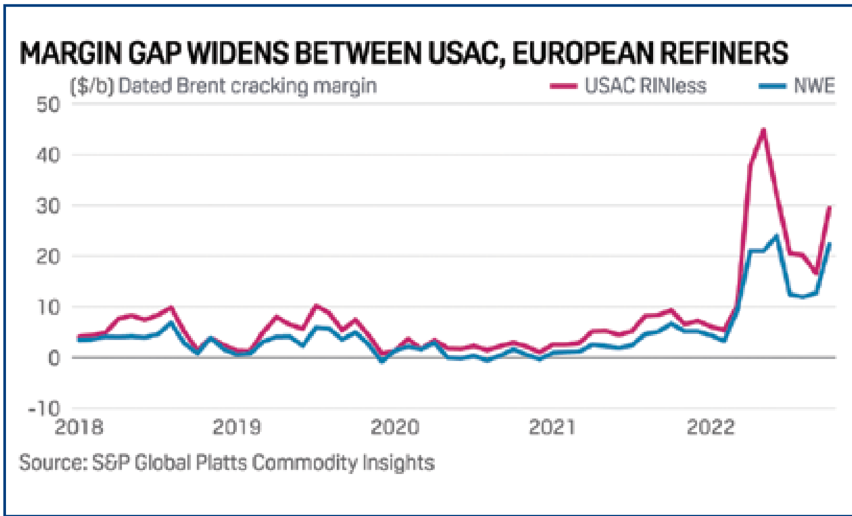
The U.S. Atlantic Coast "is the main price-setting mechanism globally right now," S&P Global Commodity Insights analyst Debnil Chowdhury said. Following the start of the Russia-Ukraine war, and the ensuing spike in European diesel cracks paired with unprecedented strength in natural gas prices – used as fuel by many plants – one might expect that European interest to ship gasoline across the Atlantic would have dwindled. Regardless, trans-Atlantic European exports remained relatively steady, averaging between 52% and 65% of all monthly USAC gasoline imports from January through September 2022, U.S. Customs data showed.

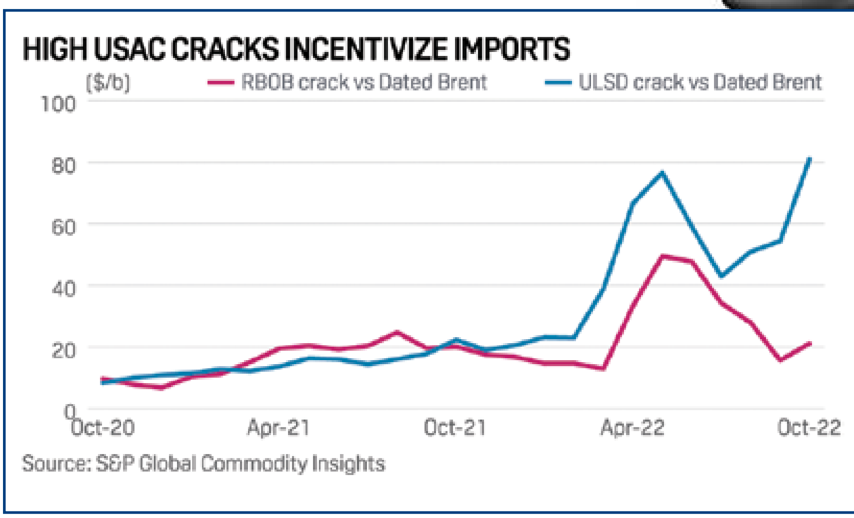
Immediately following the start of the war in late February, European-origin imports into the USAC even rose from 52% in February to 60% in March and then 65% in both May and June. However, as commodity flows continue to shift ahead of the EU sanctions to be imposed on Russian crude and refined products, USAC gasoline imports of gasoline and gasoline blendstocks averaged just under 500,000 b/d in September, U.S. Customs data showed, with about 290,000 b/d coming from Northwest European and Mediterranean refiners and about 90,000 b/d from Canada into New England states.

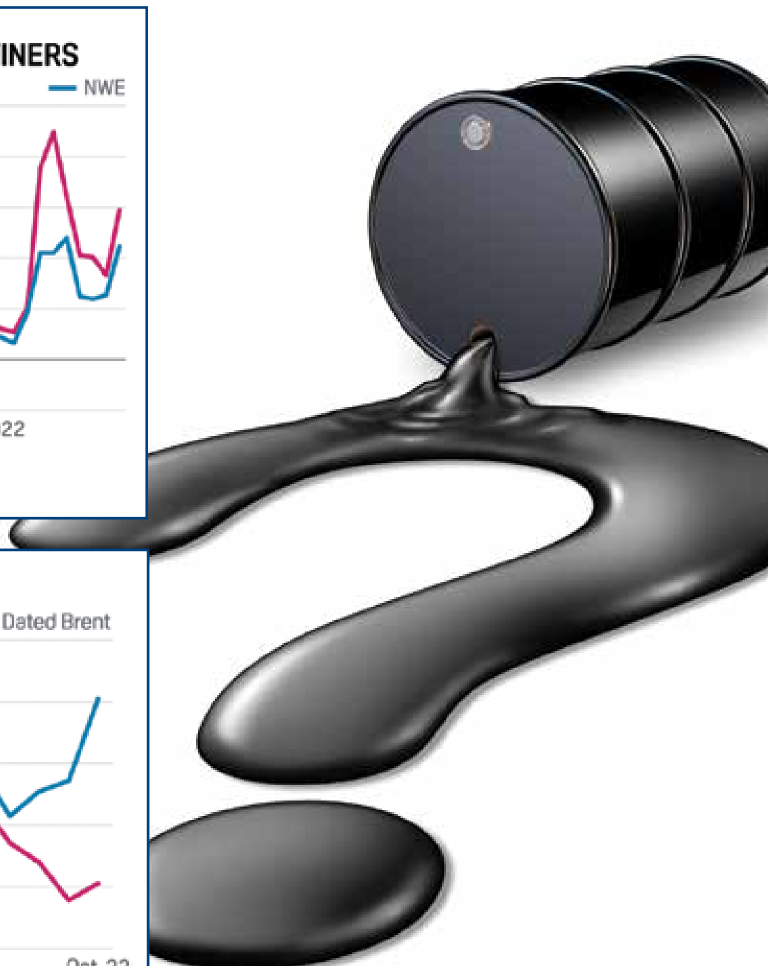
Lure of High USAC Gasoline Prices

Despite rising Dutch TTF natural gas costs increasing refinery operating costs for some Northwest European plants by as much as $14/b, European refiners were drawn to the enticing U.S. gasoline cracks, which soared in tandem with gasoline prices. While USAC gasoline cracks have subsided slightly from their monthly high of $76.62/b reached in June, when consumer gasoline prices breached the $5/b mark, they remain healthy at $21.09/b so far in October 2022, according to assessments from Platts, part of S&P Global Commodity Insights.

Refining margins have also come off monthly highs as driving season ends. RINless USAC cracking margins for Dated Brent, which averaged $44.82/b in June, are averaging $20.45/b so far in October. RINs are credits issued by the Environmental Protection Agency's Renewable Fuel Standard used by U.S. refiners to meet their RFS mandated renewable volume obligations. ▶







However, the spread between the USAC and Northwest European cracking margins has narrowed, with NWE Dated Brent margins averaging $22.27/b in October, S&P Global margin data showed.

While the spread is still healthy, a falloff in USAC gasoline imports means more dependence on the U.S. Gulf Coast pipeline barrels. This has a knock-on effect on other regions of the United States, particularly the U.S. Midwest, which is struggling with supply after two big refinery outages, as well as reducing refined product exports to Mexico and Latin America.

Uncertainty Looms Ahead of EU Russian Bans

However, oil industry players are watching how the upcoming European sanctions on Russian crude and products will alter refined product flows. As EU sanctions on banning waterborne imports of Russian crude are set to go into effect Dec. 5, the largest impacts of the war on the European oil markets are yet to be seen. "It's going to Armageddon," a European trader said, adding that the full effect of the EU's embargo had not been priced into global crude markets. EU bans on refined products go into effect Feb. 5.

Some sources have raised doubts about how much of an impact the sanctions will have on the market because a significant number of European refiners have already found alternative sources of supply to replace the medium sour Urals crude, sourcing from locations such as the United States and Brazil. Another consideration is that moving away from Russian crude changes the makeup of what comes out of the refinery.

"The EU ban comes at a time where we also are witnessing new refining asset startups in multiple regions," Chowdhury said. "While Russian origin gasoline barrels hitting the global market may decline post the sanctions, new barrels from the USGC, Middle East, and Asia are expected to lessen the impact of lower Russian refined product production. Europe continues to reduce its reliance on Russia crude. Russian seaborne crude oil exports have fallen from 3.7 million b/d in April 2022 to 2.7 million b/d in August 2022."

If European refiners move toward lighter crudes, this will theoretically result in a higher gasoline yield per barrel. However, on the downside, more gasoline means more naphtha production, eating into refining margins as reduced petrochemical demand has created a naphtha glut. Weak naphtha cracks could disincentivize refiners from increasing runs, or even inspire them to lower runs, even amid robust domestic diesel demand and strong foreign gasoline demand.

“Outright cracks of naphtha may increase with higher crude prices over the next several weeks due to the OPEC+ cut announcement,” Chowdhury said. However, Chowdhury said a bigger risk to European refinery runs than weak naphtha prices is the rising Dutch TTF prices “negatively impacting margins and utilization rates there.”

French Refinery Strikes

Ongoing strikes at French refineries have also had a considerable impact on gasoline supply and exports in the Mediterranean region. The Mediterranean to USAC arbitrage incentive for New York Harbor gasoline has been consistently stronger than Northwest Europe to USAC incentives since July, according to S&P Global data.

While Northwest European incentives for gasoline were just 68 cents/b in September, Mediterranean arbitrage incentives were significantly stronger at $7.06/gal. In October the gap between the two regions continued to widen. “We expect the NWE to USAC arbitrage to widen as we exit the winter months and transition into the spring of 2023 as the USAC continues to remain highly dependent on Europe to balance supply,” Chowdhury said.

In the first half of October, the Northwest Europe to USAC gasoline arbitrage was $4.46/b compared with $9.71/b for Mediterranean barrels, S&P Global data showed. The French refinery strikes pressured Mediterranean-origin import volumes lower, with import levels falling to just 4% in September -- the lowest imports from that region both in terms of volume and relative to Northwest Europe imports in 2022 so far.

“Over the mid-term, as demand continues to recover, we expect the USAC to continue to be dependent on Europe, USGC, and Canada for imports,” Chowdhury said. “However, longer term, we expect gasoline demand to see strong declines due to continued improvement in efficiencies for internal combustion engine vehicles and continued acceptance of electric vehicles. This decline in demand will reduce the need for the USAC to import gasoline from Europe and rely primarily on product via pipeline from the USGC.” ★

About S&P Global Commodity Insights

S&P Global Commodity Insights is the leading independent provider of information, benchmark prices with Platts assessments, and analytics for the energy and commodities markets. For over 100 years, we’ve brought clarity and transparency to the energy and commodities markets, enabling companies, governments and individuals to act with conviction. We know that data is key to decision making, but information alone isn’t informative: it can be interpreted in many ways and inform drastically different decisions. The knowledge and experience of our people makes the difference, offering insight that helps customers in 190 countries to interpret fluctuations, uncover new commercial opportunities and gain a competitive edge.

A division of S&P Global, S&P Global Commodity Insights is headquartered in London and employs over 1,200 people in more than 19 offices worldwide located in global business and energy centers on five continents. We employ only the best in the market, and each member of our team is committed to providing an unbiased perspective to help our customers monitor market movements, value commodities, recognize opportunities, mitigate risk, and plan with greater confidence.

Anna Trier is a Senior Pricing Specialist with the Americas oil team at S&P Global Commodity Insights, covering Atlantic Coast gasoline. Anna comes from a scientific background and received her bachelor’s degree in chemistry from the University of Houston with an emphasis on research.

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Decarbonizing the Elephant in the Room

BY JOHN EICHBERGER, FUELS INSTITUTE

The pressure to decarbonize the transportation sector continues to gain momentum. Governments throughout the world (and within the United States) are enacting policies to transition away from traditional internal combustion engine vehicles (ICEV) operating on liquid fuels towards what they have defined as zero emissions vehicles (ZEV), most often defined as battery electric vehicles (BEV), plug-in hybrid electric vehicles (PHEV), and fuel cell electric vehicles (FCEV). Financial institutions have banded together to incorporate climate mitigation and decarbonization into their decision-making processes. (Example, the Glasgow Financial Alliance for Net Zero, comprised of investment firms managing $130 trillion in assets, has stated one of its objectives is to ensure that climate considerations are included in every financial decision.) And while there has been tremendous growth and investment in new vehicle technologies that can utilize potentially lower carbon energy sources, there remains a very large elephant in the room that must be addressed as well – the significant global and U.S. inventory of ICE vehicles.

That is One Big Elephant

How large is that elephant? Enormous…and growing. Many of those focused on new vehicle technology don't want to talk about combustion and liquid fuels, which they hope to eliminate in short order. Their theory is that the new technology is the best and fastest way to eliminate carbon emissions. Yet, as I point out often in my presentations – if one believes we are facing a climate crisis, then waiting for new technology vehicles to replace the 1.4 billion ICE vehicles in the world is tantamount to not even trying to avoid the iceberg lying in wait for the Titanic - the transition will simply take far too long to mitigate a pending crisis.

A more practical and effective solution would be to encourage the development and availability of lower emitting vehicles (by the way, on a life cycle basis there is no such thing as a zero emissions vehicle, and it is on a life cycle analysis-basis we should be evaluating our options) while seeking to reduce the emissions of existing and new-to-market ICE vehicles and the fuels they consume. Why? Because, according to S&P Global Mobility in a recent Fuels Institute publication, as of July 2021 there were more than 284 million light duty vehicles in operation in the United States, of which only 0.4% were not equipped with a combustion engine. Add to that another 12 million or so medium and heavy-duty vehicles also equipped with combustion engines.

If that is not a compelling enough reason to pay attention to this sector, take into consideration vehicle sales. Since 2013, the United States has sold more than 150 million new ICE-only vehicles, plus an additional 5.4 million ICE-hybrid vehicles. And even though BEVs have really gained momentum recently, even this year through August, the United States has sold another ▶

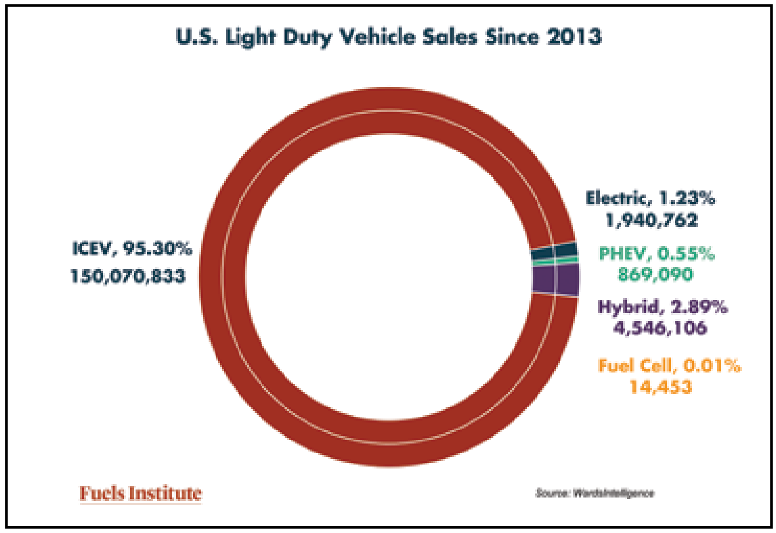
8.6 million vehicles equipped with a combustion engine. Finally, even when considering the potential of aggressive forecasts for BEV sales, ICEVs are likely to remain the dominant powertrain sold in the United States and the world for many years and will remain the dominant powertrain in operation for decades.

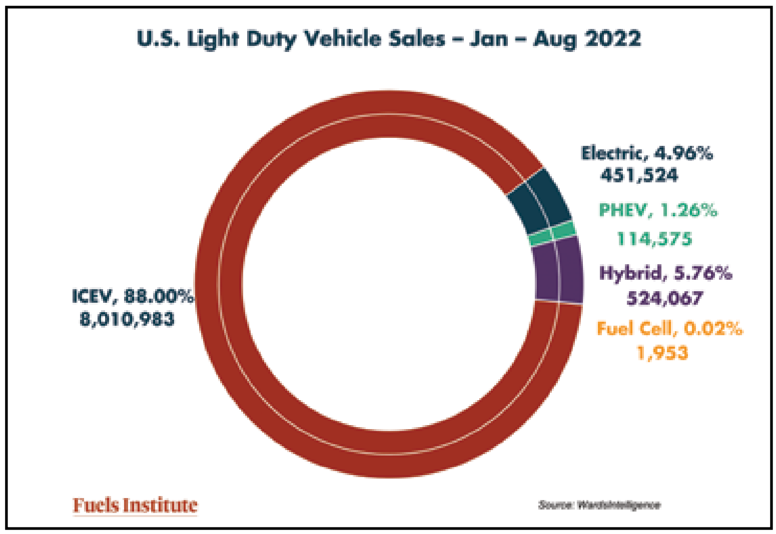
Those seriously concerned about the risks of climate change should not ignore the elephant in the room while anxiously waiting for new technology to save the planet. We must develop pragmatic solutions for the entire fleet.

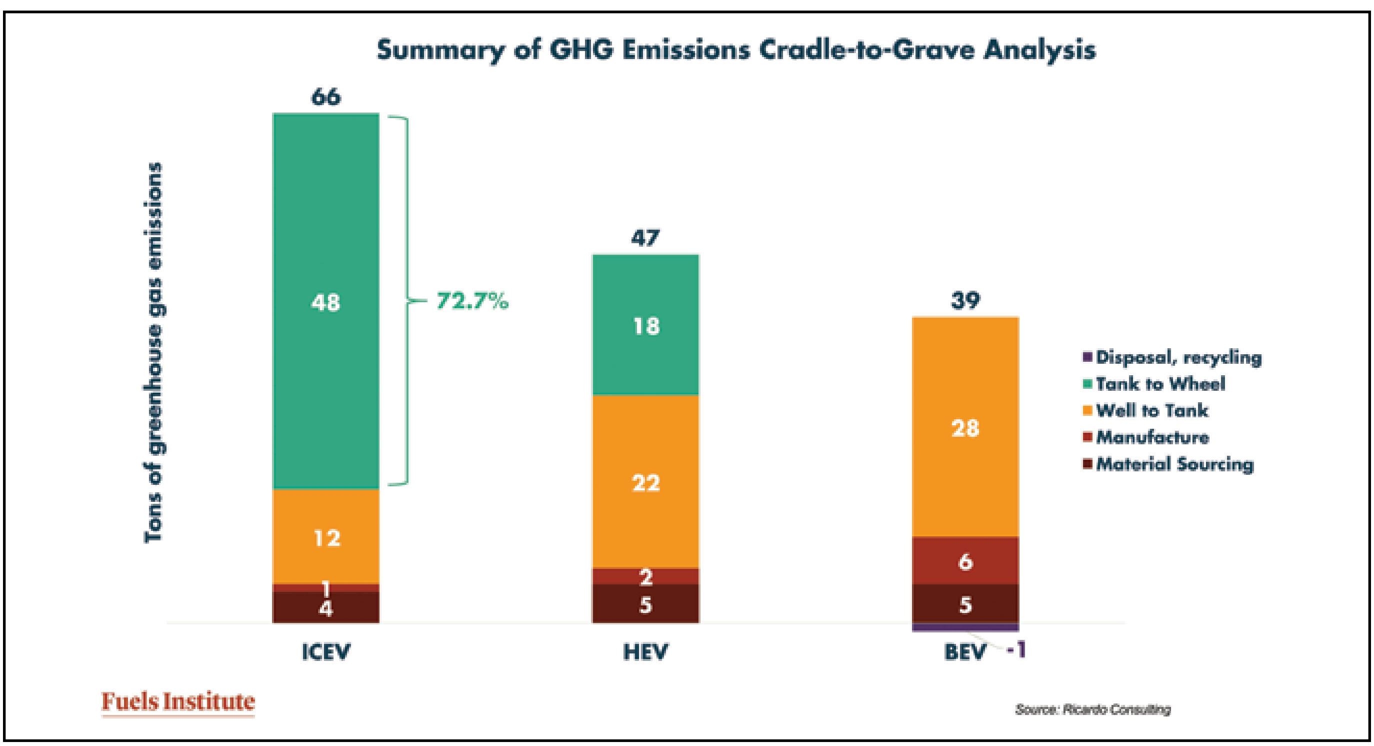
What do We Feed It?

The big question is how do we reduce carbon emissions from ICEVs? And this presents a couple of different challenges – 1) how do we affect the emissions profile of new-to-market vehicles over the coming decades and 2) what do we do about the legacy fleet that is not likely to undergo any mechanical modifications?

The primary focus should be on the fuel these vehicles consume. According to the Fuels Institute's life cycle analysis report (published in January 2022 and funded by the SIGMA Fuel Foundation), nearly 73% of greenhouse gas emissions in the life of an ICE vehicle come from the operating cycle when fuel is being consumed. So, if we want to reduce carbon from ICEVs we have to look at the fuel.







Currently, our primary option for lowering the carbon intensity of liquid fuels is to maximize the utilization of biofuels. Ethanol, biodiesel, renewable diesel, and other products can help displace higher-carbon fossil fuels and contribute to lower carbon emissions from ICEVs. In addition, improved extraction and production methods in the petroleum supply chain, combined with carbon capture and sequestration (CCS), can reduce the carbon intensity of the base fossil fuel. Combined, these can dramatically lower the emission from the existing fleet as well as new-to-market ICEVs.

There are some who object to CCS, expressing concern that it will result in additional investment in the petroleum sector and extend the life of that market. While I do not disagree with their conclusion, I challenge their objection – in a world in which ICEVs are going to be around for decades to come, should we not encourage and support investments that lower the carbon intensity of the fuels they consume? I think the answer should be yes, and I don't believe such investments will materially slow the adoption curve for new technology vehicles. I also am of the opinion that, at least in the foreseeable future, there are many vehicle applications that may not be as easily served with the new technologies and will continue to rely on ICE and liquid fuels for a very long time.

Further, there are options for other fuels that can be used in ICEVs. E-fuels, renewable natural gas, and hydrogen are options that should be explored and evaluated for their potential utilization. It would be irresponsible to not continually seek new solutions.

A Path Forward

Of course, none of this is easy. For years, the petroleum and biofuels sectors have battled over market share, over policies and in the public arena blaming each other for anything and everything. I cut my teeth in these political debates as a congressional aide for an Iowa congressman, advocating in Congress for corn farmers and ethanol producers. The animosities between the industries run deep and some have asserted that reconciliation may not be feasible. I can tell you that those who believe this are wrong.

Maybe I have been out of the political game for too long and my cynicism is not as acute as it once was, but I believe there is an opportunity for the two fuel sectors to collaborate and find a path forward to provide a low carbon fuel option that can provide consumers with a viable and affordable option. The Fuels Institute Board of Advisors includes several representatives from both industries and we have seen them engage in very meaningful, collaborative discussions, which gives me tremendous hope for progress.

I also believe that the engineers, chemists, and scientists who have ushered in the modern transportation energy sector over the past 100-plus years are capable of great innovation, if we enable and support them. That is why I believe new liquid fuels and blends can be developed that deliver meaningful emissions reductions in an affordable and reliable way.

To that end, in collaboration with the SIGMA Fuel Foundation, the Fuels Institute has just commissioned a study to evaluate the various options that could result in lower carbon emissions for ICEVs and, most importantly, how they can be brought to market and deliver actual results. We are keenly aware that a great "solution" that cannot find its way into the fuel tank of a vehicle is not a solution – we must identify those options that can actually work in the market. We are also exploring research into the feasibility of e-fuels and hydrogen, as well as potentially evaluating the core economics and implications of increased biofuels production.

There are significant hurdles that must be overcome, but the elephant in the room is not going away anytime soon and, if you have ever been around an elephant, you know its emissions are significant. We must not ignore it – we must continually seek lower carbon solutions for all transportation needs. This will necessarily include new technology vehicles like BEVs and FCEVs, and we continue to work on research relative to these technologies. But it also requires a broad perspective to evaluate any and all practical options simultaneously and to create an environment in which innovation has an opportunity to shine. ★

John Eichberger is Executive Director of The Fuels Institute, a non-profit, independent think tank founded and managed by NACS, the association for convenience and fuel retailing. Drawing diverse stakeholders from the vehicle and fuels industries, the Institute encourages multi-industry collaboration and produces credible, independent analytical reports to better inform business leaders and policymakers about opportunities and challenges in the vehicles and fuels markets.

WHAT COMPANIES CAN DO TO GET A HANDLE ON THIS GROWING TREND

BY MAURA KELLER

From an influx of remote work strategies to an extremely tight hiring market, today's businesses have faced a myriad of employment challenges in the last few years. Now, a new trend is impacting the human resources space within companies: "quiet quitting" and the role it is playing in today's work environment. Celia Balson, founder & CEO of human resources consulting agency Work Friendly, says quiet quitting is defined as doing the bare minimum in your job description and then going home. Those who "quiet quit" don't engage with their coworkers, avoid getting engrained in a company's culture, or avoid bringing up problems to their manager. They don't go "above and beyond" in their role, but instead "skate by" to get a paycheck.

"These workers go from positive, to negative, to apathetic about their work. In my experience, an apathetic worker is worse than a negative one because they are disengaged, don't share their feedback, and might require more micromanaging," Balson says. "If you're in a role that you love and are passionate about at a company you care for, you're going to want to do more."

As Balson further explains, workers who "quiet quit" aren't motivated to help the company grow, they won't feel the need to support their team as much, or work to impress their manager.

"However, those who 'quiet quit' also don't take the time and energy to find a new role where they are going to feel engaged and see career growth," Balson says. "Quiet quitting usually affects the company as a whole and signals a deeper problem in the culture and/or management."

Quiet quitting also manifests in a number of forms, ranging from facial gestures (e.g., fewer smiles or sullen behavior) to reduction in work activity, to outright rejection of assigned work. A decline in work attendance, participation, and/or output is also common. APQC is a non-profit benchmarking and best practices research firm based in Houston, Texas. Ashley White, executive director of human resources for APQC, says quiet quitting is real, and ineffective.

"I am here to challenge the notion that finding balance in life comes from less effort in the workplace and a rise in the number of disengaged employees. Instead, we should raise a red flag and refuse to accept this insanity," White says. "We should be searching for employees that want to 'earnestly engage,' which means they are 100% in for culture, customers, and creating a thriving workplace."

White adds that for human resources professionals who are trying to recruit candidates in 2022, you probably feel like a salmon swimming upstream…in a frozen river.

"The 'business' of people these days is arguably the most challenging it has ever been with not much relief in sight on the short-term horizon. And if the current economic climate is not enough to make you sweat, now TikTok is the new place candidates are going for employment advice," White says. "Of all the TikTok trends I've seen come and go, the most unfortunate one is being dubbed "quiet quitting" making this the latest HR buzzword (and nightmare) as employees are choosing to give their employers minimal effort under the guise of striking work/life balance."

So how did we get to the point that "quiet quitting" is part of employees' and companies' vernacular? COVID hit, employees went home to work, and that put them in a position to take an introspective look at how, when, and where they want to work.

"Flash forward 12 to 18 months and the world began to reopen leaving many companies trying to figure out what to do…go back to the office or keep this remote thing going?" White says. "Regardless of what choice was made, employees came out of COVID with new views on work and 'quiet quitting' was born." Bill Catlette, executive coach and partner at Contented Cow Partners, says that the mantra of business is no longer that the big eat the small; rather, that the fast eat the slow. Motivated people move faster.

"Over the last eighteen months, many have used the disruption of the pandemic, alongside a strong economy to initiate job changes," Catlette says. "Still others, while for reasons known only to them opting not to change jobs, have markedly reduced the effort being contributed at work. They've effectively quit their managers while keeping their jobs."

"Quiet quitting" is the latest professional phenomenon and many employers are taking notice. Associates are now making sure that their leaders keep their workloads and assignments in line with their job descriptions and levels of compensation, refusing to keep up with expectations they perceive to be unrealistic or outside of their responsibilities.

Steps To Take

Quiet quitting is seen by many professionals as a direct response to hustle culture and the effects it has on employee burnout, is the latest professional phenomenon and many employers are taking notice.

Rod McDermott, workplace expert and CEO of Activate 180 Associates, says employees are now making sure that their leaders keep their workloads and assignments in line with their job descriptions and levels of compensation, refusing to keep up with ►

expectations they perceive to be unrealistic or outside of their responsibilities.

“Employee disengagement, burnout, a perceived lack of opportunities, and inadequate recognition are all causes of ‘quiet quitting.’ Some tactics leaders can utilize to prevent this issue include creating a psychologically safe workplace where employees feel comfortable advocating for their needs, offering employee coaching programs to help individuals create their best lives, and encouraging associates to set healthy boundaries that establish work-life harmony” McDermott says. “After all, if you prioritize the wellness of your people, they will be happier and show up stronger.”

McDermott further expresses that one thing that is within the employer’s control is having a dialogue with associates about what their greatest concerns are – from a holistic perspective – and showing them that the company prioritizes the things that are important to them.

“I recommend asking employees questions about their lives outside of work to better understand the personal challenges that employees face and how leaders can help them see the light through their challenges,” McDermott says.

At Work Friendly, they help companies implement learning and development trainings to overcome common business challenges, including those related to management, leadership skills, and employee communication/engagement.

Balson says that in her experience “quiet quitting” is usually a result of poor management; she’s seeing it more on a non-leadership level than a leadership level.

“If open, empathetic, and productive conversations are taking place about what an employee needs – whether that relates to work/life balance, role responsibilities, or anything else – then solutions can be implemented,” Balson says.

Proactively, companies can make sure the proper types of training and coaching are in place so managers are equipped with what they need to properly check in with employees on a regular basis. Balson advises that managers should also be able to recognize when an employee is potentially heading towards quiet quitting, whether that be because they have too much on their plate or they aren’t motivated enough.

“Being a manager is a role that is constantly evolving, and these training need to be ongoing to support managers as they support their employees,” Balson says. “I’d recommend continuing to invest in leadership as there might be other solutions than just cutting positions. You’re going to end up investing a lot more money in bringing someone new into a position than helping a current employee be more engaged in their role. During these times of change, it’s important to be spending time on learning and development and employee relations to identify when an employee is unhappy and provide a more long-term solution.”
Catlette adds that through data (e.g., from engagement surveys, exit interviews, etc.), employers should take strident measures to understand and address the underlying causes of worker “disengagement.”

“Though I won’t front-run the data, I will submit that the practice of ‘leadership’ has, on so many fronts, been deprioritized in corporate America over the last two decades, and those who, for whatever reason have not voted with their feet are voting with their lack of effort, and still collecting a paycheck,” Catlette says. Using every vehicle at their disposal (interpersonal contact, surveys, one-on-one chats), Catlette advises company leaders to stay close to their teammates, so they can notice when things are not quite right with the person.

“Rather than ignore their suspicions, good leaders ask if something is bothering the person and make attempts to address it, first from the standpoint of one human to another,” Catlette says. “By far the most common mistake leaders make is in seeing the signs of ‘quiet quitting’ and ignoring them, either because they don’t care enough to get involved, or because they lack the skills to do so.”

A Future of Quiet Quitting?

As Catlette points out, the concept of “quiet quitting” is nothing new in the workspace. People have been staring into space, leaning on shovels, taking extra-long coffee breaks, and now doing everything but work on our computers forever.

“It’s currently being mentioned because of spot talent shortages and because someone has given it a cute name,” Catlette says. “’Quiet quitting’” is generally the product of leadership failure at either a personal or systemic level. Involved leaders will notice that something just isn’t right. People aren’t smiling or behaving as usual (perhaps they’re quieter or withdrawn), engagement survey scores are down, productivity is down, absence rates are up. But individually (and collectively as a management team), they will confirm what they are seeing, and look first for ways that

they themselves have been contributing to the problem," Catlette says. "Involved and skilled executives will commit to setting a better example themselves, coaching better, and addressing systemic causes of the behavior."

Tyler Muse, CEO of Lingo Live, a company that helps organizations drive innovation and revenue by improving employee engagement and retention through skills-based coaching, agrees that "quiet quitting" is a cute term but really is just shorthand for "disengaged employees."

"This isn't a new phenomenon. It's just become more top of mind because we can't all see each other in the office anymore and so the belief is there's no way of knowing whether or not this person is contributing fully," Muse says.

But it doesn't have to be that way. Tools like Lattice – a performance review, employee engagement, and career growth management platform – provides insights into which employees are disengaged and why.

Muse points to the top five questions that can be used to identify "quiet quitting" among employees:

- I still see myself working at ACME Company in two years
- Most of the systems and processes here support us getting our work done effectively
- I am given opportunities to develop skills relevant to my interests
- I have seen positive changes taking place based on recent employee survey results
- I know how my work contributes to the goals of ACME Company

"If you're seeing that employees within a certain department are scoring low on these, you not only know whether or not you have a risk of 'quiet quitting,' but more importantly you know what to do about it," Muse says. "Have conversations, understand where they are at, and come up with a mutual plan to get things on track. If you're not holding up your end of the bargain, they absolutely should quit. And if you are holding up your end of the bargain but they aren't, you can transition them out of the organization. Let's not overcomplicate or mystify this 'trend.' This has been happening for as long as human beings have worked together. Simple data analytics and crucial conversations between manager and employee can avoid this trap."

As the old saying goes, "time is money." White suspects that the wave of employees choosing to give less of their mindshare, time and effort are not marching up to their CEO's desk and announcing that they would like to get 60% of their pay because they intend to give 40% less of themselves. "So, what side of the debate do you fall into?" White asks. "Are you willing to watch your staff 'quietly quit' as you frantically try to fill seats in your office? Or are you going to ask them to be all that they can be and devote the time and effort it takes to 'earnestly engage'?" ★

Your Customers Aren't Convinced Their Money is Safe at the Dispenser (And other Key Findings from the Future of Fueling Trends Report)

BY KENDRA KELLER, VICE PRESIDENT AND GENERAL MANAGER, NORTH AMERICA, DOVER FUELING SOLUTIONS

Wanting to gauge what customers truly expect from their fueling experiences and what they predict convenience retail will look like in the future, Dover Fueling Solutions (DFS) surveyed 1,000 U.S. drivers. We have included our findings in a comprehensive Future of Fueling Trends Report, available at www.doverfuelingsolutions.com. Read the key highlights below. Customers Need More Communication on Payment Security and Pricing

With card-skimming stories regularly in the media, customers are familiar with protecting their information at the pump. However, our survey found drivers continue to negatively perceive card security at the dispenser despite upgraded mechanisms, like embedded security technology. When asked what features they value most, respondents noted "payment security/no card skimmers" as a top priority. Our results show drivers want site managers to be more responsible for risk mitigation measures and feel fueling stations would benefit from more robust education on existing security enhancements. Respondents also expressed mistrust in pricing transparency. Customer complaints of inaccurate pricing and transactions at the pump indicate that rising fuel costs have caused drivers to watch stations more closely. Dispensers that display fueling stats to the thousandth decimal place provide a more granular breakdown. Site owners can also build on loyalty by ensuring dispensers are consistently serviced and properly calibrated, then communicating this maintenance to customers.

We're at an EV "Tipping Point" in the U.S. Market

Today, over 5% of cars in the U.S. are electric. Looking at patterns from countries with EV-positive trends, we expect U.S. EV adoption to continue accelerating in the coming years. EV sentiment among younger generations is noteworthy. Nearly two-thirds of millennials and Gen Zers surveyed said they would consider purchasing an EV if more charging stations were available — particularly at fueling stations.

Understanding local markets and their unique needs and preferences is critical for determining when and where to install charging stations. But adding chargers to sites is not a one-size-fits-all approach. The process entails significant departures from standard business models but could yield high rewards when done well. It might be infeasible at this time to implement EV charging at specific sites if local adoption hasn't reached profitable levels. While California and some coastal regions show significant gains in EV sales, the Midwest, for example, is on a slower trajectory. ►

C-stores Could Become "Brief Destinations" Rather Than Quick Stops

While site owners need to understand local demand for EV infrastructure, it's important to consider boosting profit margins with added goods and services. We explored how to engage EV customers by proposing a hypothetical: If you were at a convenience store waiting for your vehicle to charge, which amenities would you prefer? What came out on top was a coffee shop/café, followed by a restaurant, and finally, a business center. Broken out by age group, Gen Zers preferred dry cleaner services followed by fitness and business centers, while baby boomers showed interest in dog parks.

Regardless of slight differences among cohorts, all generations indicated they rarely feel motivated to enter c-stores while fueling up — the most frequent response was they didn't need anything in the store. While solutions for tying fuel dispensers to c-stores for holistic purchase experiences are expanding, engaging customers for a few minutes to hosting EV drivers for 20 minutes or more is a significant shift. The more fueling stations can align with customer expectations, the better prepared they'll be to deliver exceptional experiences in the future.

Perceptions of Future-State Fueling Harken Back to a Childhood Favorite

"In the retro, animated series The Jetsons, a futuristic family pilots their ship to an entirely automated fueling station. Robots attend to them, everything is self-service, the process couldn't be more seamless. When we asked our survey respondents to paint a picture of the future fueling station…what it will look like in 20 years — a notable subset cited that show as a reference point." (Future of Fueling Trends Report, Dover Fueling Solutions, 2022)

The excerpt above illustrates drivers' expectation that fueling stations, like fuel and cars, will continue to advance and dramatically evolve. Not only did comments suggest customers expect alternative solutions to fossil fuels to become the norm, but they also anticipate automation and contactless experiences blended with more entertainment options. Respondents suggested that in the future, it would be normal to enter a c-store, grab a coffee, work, or enjoy a spa treatment while waiting for their vehicle.

The transition to completely EV-focused stations isn't as streamlined as customer predictions suggest, though it is fun to think of what lies ahead. We are more likely to see a mix of charging stations and traditional fueling in the future, along with a gradual expansion of amenities offered at c-stores. Automated experiences are more on par with customer projections, and solutions exist today to help sites provide contactless and digital experiences.

You Are the Future of Fueling

While fuel and convenience retail are evolving quickly, there are small steps you can take now to future-proof your business. The key is to remain aware of customer preferences and balance them with existing resources. Pricing transparency and security are great places to start. Tools for automation and connected dispenser-to-store experiences are also available and continuing to improve.

For site owners, it's critical to stay market aware and prepare to invest in EV infrastructure when the time is right, and profitability is more certain. Along with installing charging stations, consider what goods and services you can provide to enhance customer experiences and build loyalty. Proactive steps today can ensure your position as a leader in the future of fueling. ★

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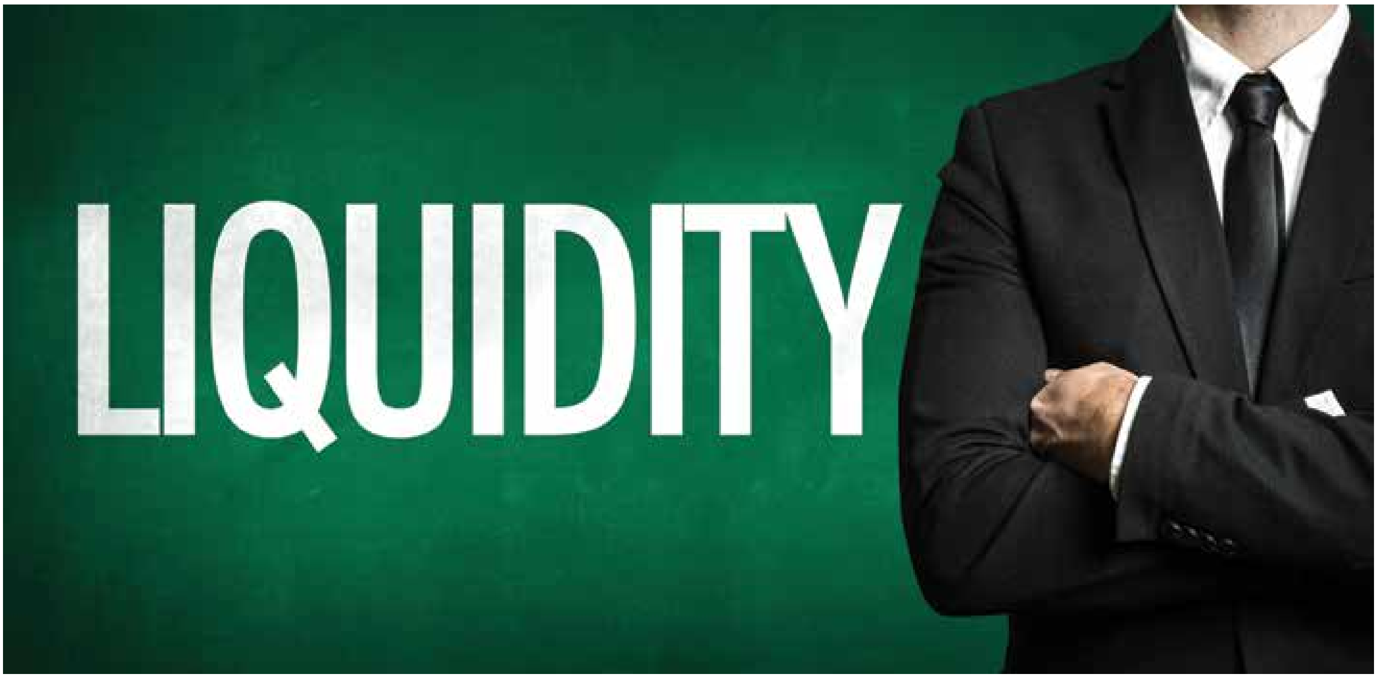
Rising Interest Rates: Intended and Unintended Consequences

BY JOHN WHALEN, HEAD OF CAPITAL ADVISORY INVESTMENT BANKING, MATRIX CAPITAL MARKETS GROUP



The message from the Federal Reserve with respect to monetary policy is loud and clear: in order to tame inflation and stabilize prices, liquidity must be removed from the system and the best way to curb spending is by raising interest rates to a point where consumers and businesses think twice about their next purchase or investment. A simple theory, but hugely complicated with respect to execution. This article will explore the intended and unintended consequences of the Fed's actions (as well as peer international regulators), and the burden on consumers and businesses. Further, while not yet evident in the M&A market, continued interest rate hikes could have a negative impact on asset prices and corollary business valuations for certain industries, especially nonessential ones.

Removing Liquidity (or capital) from the Economy

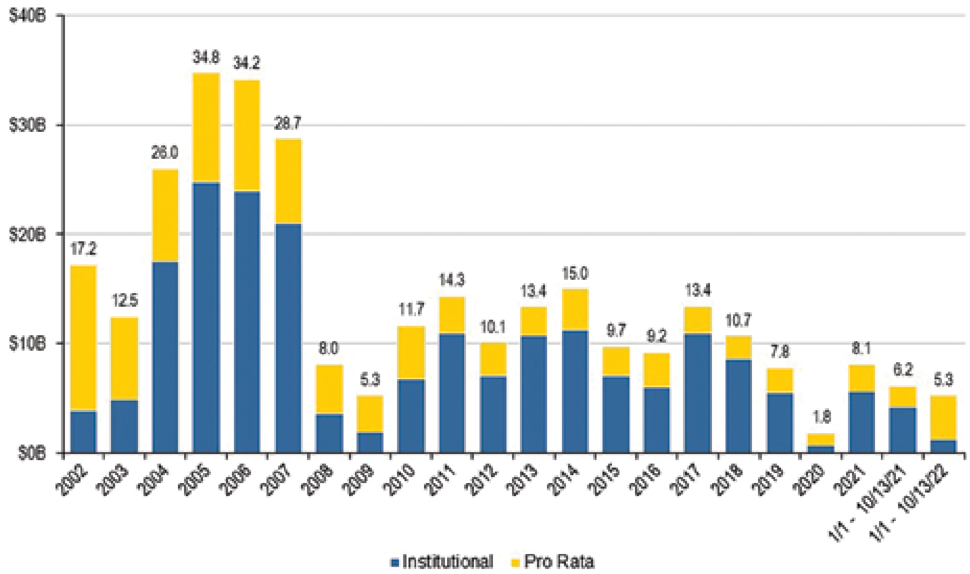
As any business owner or C-Suite professional will attest, liquidity/capital is the single most important "raw material" input needed to successfully run a company, whether the product delivered is a hard good, a business service, or a technology application. When liquidity is unavailable or the cost of capital increases beyond a reasonable point, businesses are forced to increase prices when providing the same good/service in order to maintain profitability and/or returns. And therein lies the intent behind the prescriptive increase in interest rates: make it so costly for consumers (individuals and businesses) that they will no longer spend to facilitate their lifestyles or grow their businesses, thereby decreasing demand.

Unfortunately, no one is truly insulated from monetary tightening. The Federal Reserve is actively removing liquidity from the economy by increasing the cost of "raw materials" and, as such, today everything, ranging from a gallon of milk, to a school backpack, to a steel tank, or laptop computer is more expensive. Aside from some of the more idiosyncratic supply chain issues, such as computer chips for vehicles, and fuel shortages in logistics and transportation, the simple exercise of decreasing the number of dollars supporting the economy is actively curbing demand and abruptly re-shaping the landscape for consumers and businesses.

The Pivotal Role of Leverage/Debt

If we examine the universe of capital providers, each are captive to the current trend. Debt providers from banks to institutional investors are all experiencing elevated funding costs. Corporate and high-yield bond markets are upside down with massive investor withdrawal, downward pressure on prices, and corresponding spikes in yields (interest rates) –

Volume: Annual New-Issue Middle-Market Loan Volume



Source: PitchBook Data, Inc. LCD Comps

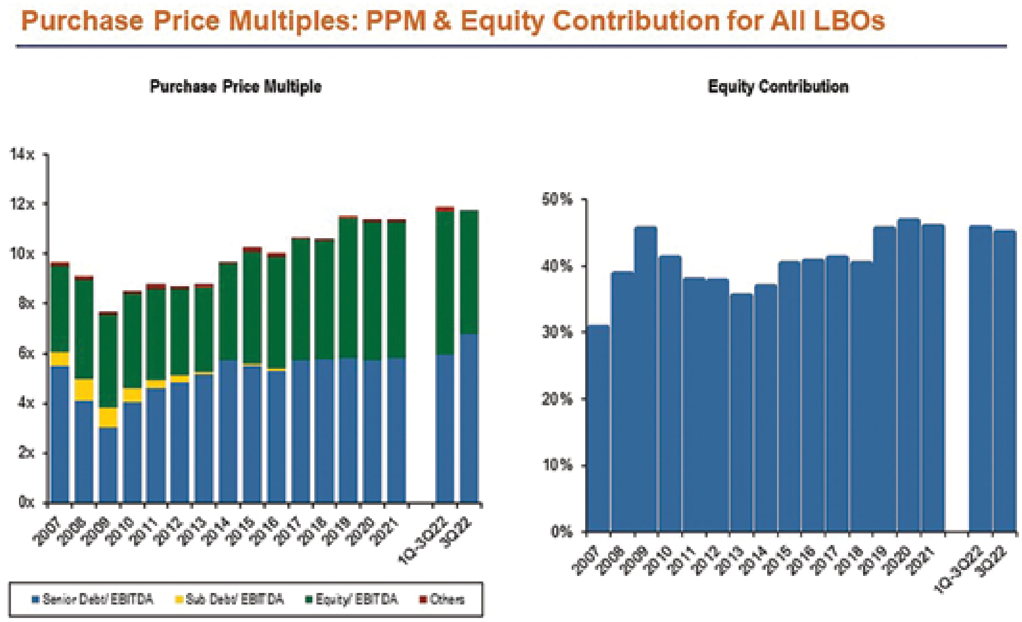
naturally, who wants to invest in a portfolio of dated, fixed-rate instruments when yields are rising? Consumer credit, notably credit cards, mortgages, and car loans, are materially more expensive. And other types of debt providers such as direct lenders, special credit funds, and CLOs (Collateralized Loan Obligations) must also navigate changes in their funding structures. All of the traditional debt providers then pass their increased funding costs onto consumers/businesses vis-à-vis higher nominal interest rates and higher return requirements. This, in turn, takes leverage out of the system and, while the central banks focus acutely on decreasing demand at the consumer level (credit cards/mortgages/auto loans), business owners and management teams at operating companies bear more of the pain, especially those with no pricing power.

Why? Leverage and debt capital is a core component of most companies. Whether used modestly to support working capital needs or aggressively to engineer higher returns, the role of leverage in a company's capital structure is critical, and when you remove borrowing capacity or reduce availability, the results are stark. At a basic level, the lower the leverage capacity of a firm, the higher the equity capitalization required to operate and that places a burden on owners/shareholders to employ the most expensive form of capital – equity.

As seen, loan issuance has decreased dramatically and closely correlates with Federal Reserve action due primarily to increasing interest rates, investor hesitancy, and other general concerns over the potential for a manufactured recession. The chart above also demonstrates the prominent role traditional banks play when markets are dislocated. Institutional issuance at critical inflection points in the economy, notably S&P and/or Moody's-rated term loan Bs, deteriorates more quickly given the sensitivities of the investor class, while banks, the primary buyers of "pro-rata" revolvers and Term Loan As, step in to take up the slack as evidenced by the increasing share of issuance absorbed by banks. It's important to note that, at this stage in the economic cycle, this correction is really technical (i.e., engineered by tighter monetary policy) and not systemic (i.e., companies failing due to the health of consumer, unemployment, default rates, etc.); however, as postulated in the business news cycle, the removal of liquidity from the system runs a greater risk of triggering a systemic correction if overdone. Examples of systemic correction are seen in the same illustration as overall deal activity and loan issuance decreased significantly in 2008 (the financial crisis) and 2020 (COVID-19).

As noted in the graph on the following page, purchase price multiples and overall equity capitalization remained relatively stable in the period 2019-2022 but, as debt capital availability decreases, corresponding equity capitalization will increase and return expectations will necessarily trend downward.

However, there is a silver lining. While the debt and equity markets work through the correction, it is important to note that the availability of capital remains strong. First, this is not a repeat of the 2008 financial crisis and providers of capital remain flush with cash to deploy. Private equity firms, direct lenders, mezzanine/junior capital providers, and banks remain active and, while the terms (notably pricing) and structures (senior debt levels versus total debt capitalization) have moved against borrowers, companies entertaining growth initiatives still have options. In the downstream energy and convenience retail industry valuations remain at cyclical peaks and, while banks are slightly more restrictive, a number of alternative



Source: *PitchBook Data, Inc. LCD Comps*

capital providers are stepping-in to bridge capital funding gaps for acquisitions, dividend recapitalizations, and major expansions/capital expenditures.

In fact, one could argue that the correction represents an opportunity for healthy companies to take share under the general heading of "never let a good crisis go to waste." The capital/liquidity, while expensive and requiring more lender-friendly controls, is still available to issuers – especially those with disciplined, measured strategies. In the near term, the Federal Reserve's attack on inflation may also yield a competitive advantage to strategic buyers (existing operating companies) based solely on the premise that financial buyers (private equity firms and family offices) need leverage to engineer outsized returns for their limited partners and, when liquidity/capital is forcibly removed from the system, financial buyers tend to be less aggressive with purchase price multiples. Strategic buyers aren't really oriented to manufacturing returns with leverage and, as such, will likely find windows to compete on valuation after years of "free-money" provided a distinct competitive advantage to private equity.

Key Takeaway

While the Federal Reserve and other central banks are actively removing capital from the economy after years of near zero interest rates (a.k.a. free money), there are still pockets of opportunity for borrowers to secure liquidity and build sustainable capital structures even if the nominal cost of the liquidity has increased. It would be prudent to consider re-ordering priorities in volatile periods away from a focus on the cost of capital and toward the prioritization of amount, availability, and flexibility citing the general theme of "better to have the capital albeit at a higher cost than not". It's certainly possible, even probable, that the environment will get worse before it improves, especially if the economy tips into recession. With that in mind, addressing near-term maturities (<36 months), locking-in terms and availability, and hedging against further disruption is just good risk management. If we're fortunate to get through the technical correction, the cost of the capital will decrease over time and borrowers can readily take advantage of lower spreads by refinancing and re-pricing debt capital. If less fortunate and the cost of capital remains elevated, borrowers and business owner's have the peace of mind knowing that the capital is available and on terms that provide stability.

The state of the capital markets has varied greatly in years past, but this time is different. The consumer is reasonably healthy, unemployment is low, demand is strong, and default rates are modest. The economy will revert back to the norm, it just requires a little patience and a steadfast focus on forward capital planning. ★

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LATAM	Brazilian refined products

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Are EVs nearing Critical Mass?

BY BRIAN L. MILNE, DTN EDITOR, ANALYST

McKinsey Center for Future Mobility forecasts a sevenfold increase in global production of battery electric vehicles and plug-in hybrid electric vehicles from 2021 to 2030 that will account for more than 55% of new vehicle production by 2030 across China, Europe, and North America.

"Adoption has moved beyond start-ups, with all mainstream [original equipment manufacturers] now focused on electric vehicles (EVs) and with forecasts for EV penetration continuing to accelerate," explains McKinsey & Company in an August article discussing the research, adding that more than 500 EV programs are coming to market in 2024 to 2026.

Analysis by the International Energy Agency in their October World Energy Outlook finds that more than one out of every two cars sold in the United States, European Union, and China could be electric by 2030.

"This is an extraordinary transformation we are witnessing in the world's three largest car markets. Worldwide, EVs' share of the car market could rise to close to 40% from less than 10% last year," opines Fatih Birol, executive director of IEA in a September article for CNN Business Perspectives.

Birol believes U.S. EV car sales, which have lagged the strong growth experienced in Europe and China, are set to increase sharply thanks to the Inflation Reduction Act of 2022 (IRA) signed into law in August. Incentives for EVs in the $737 billion law "boost manufacturing, encourage sales, and expand charging stations and other infrastructure."

Of the $737 billion, the IRA dedicates $369 billion to Energy Security and Climate Change, making it the largest piece of federal legislation ever to address climate change. Research from the REPEAT project run by Jesse Jenkins' ZERO-lab at Princeton University, finds IRA's climate investments will lead to a roughly 42% decline in carbon emissions by 2030.

Jenkins, an assistant professor at Princeton University with a joint appointment in the Department of Mechanical and Aerospace Engineering and the Andlinger Center for Energy and Environment, expects IRA to "drive the first sustained period of declining fossil energy consumption in U.S. history."

Ahead of the unexpected summer passage of IRA, Bank of America Global Research in a July research note asked rhetorically if EV sales in the United States reached a tipping point in the second quarter with a 5.6% market share, adding 33 EV models made at least one sale from April to June 2022.

"Limited availability/long waitlists for coveted models, rising prices, higher fuel costs, and overall recessionary fears will likely continue to weigh on overall U.S. vehicle sales through 2022," said the research team.

While expecting battery constraints would be a key dynamic delaying the time for EV costs to reach parity with vehicles powered by the internal combustion engine, the bank's analysts forecast high gasoline prices should drive buyer interest and "translate to medium-term tailwinds for adoption." ▶

1 https://www.mckinsey.com/industries/chemicals/our-insights/electric-vehicles-the-next-growth-engine-in-chemicals
2 https://www.cnn.com/2022/09/23/perspectives/iea-electric-cars-clean-energy/index.html
3 https://repeatproject.org/

Natural Resources Defense Council found that the average sticker price for a new EV is approximately $19,000 more than that of a new gasoline-powered vehicle. That is a big hurdle for many consumers to overcome. Yet, analysis by researchers at the U.S. Department of Energy's National Renewable Energy Laboratory and Idaho National Laboratory suggests much of that expense can be recouped on fuel costs. Over a 15-year period, owning an EV could save as much as $14,500 compared with a gasoline powered vehicle according to their research.

A closer analysis is warranted however, with actual savings based on gasoline prices in one's locality, the quality and abundance of charging stations, and state-incentive programs. Washington offers a low-cost scenario, capturing $14,480 in savings over the 15-year period, although in Alabama the savings over a comparable period are estimated at $2,368. Averaging savings in fuel costs over 15 years is estimated at $8,000.

The analysis was conducted in 2020 based on the 2019 model year, and IRA earmarks joined by the $80 billion Bipartisan Infrastructure Law passed in November 2021 will greatly expand charging stations and credits for buying an EV. IRA includes about $1.7 billion for EV charging which comes on top of the $7.5 billion earmarked in the Bipartisan Infrastructure Law. Another $12 billion is dedicated for clean vehicles in IRA that adds to the $7.5 billion in electric transit procurement passed in 2021.

IRA also addresses the upfront cost in acquiring an EV which can be a barrier for adoption for many consumers by an adjustment in how a tax credit for as much as $7,500 can be used.

"Buyers would be able to use the credit as part of their down payment or as cash-back from the dealer," explains Jason Lindquist in a RBN Energy LLC blog. "The current EV tax credit requires buyers to wait until they file their taxes in the following calendar year to receive the value of the credit."

IRA also ends the cap on EV credits and extends the credit through 2032. Previously, tax credits were capped after a manufacturer sold 200,000 EVs in the United States, with Toyota recently joining Tesla and General Motors in reaching their caps that is followed by a gradual winding-down of the credit over two quarters. Nissan and Ford had sold 166,000 and 157,000 EVs in the United States, respectively, through the end of 2021, according to the Bank of America.

The August law does place limits on EV credits, which are not available for cars with a manufacturer's suggested retail price over $55,000, and vans, pickups, and SUVs with a listed price over $80,000.

"A key provision is the extension of tax credits for consumers purchasing electric vehicles ($7,500 for new EVs and $4,000 for used EVs), but new rules mean it may be a while before those credits are actually applicable," said Anjali Bhatt with the Peterson Institute for International Economics (PIIE).

Bhatt notes for an EV to qualify for a tax credit by 2024, "40 percent of the critical minerals in its battery must be "extracted or processed" in the United States or a country with which the United States has a free trade agreement (or greater than 40 percent recycled in North America)." The requirement increases to 80 percent by the end of 2026.

"That's just the requirement for where the batteries should be manufactured or assembled – 50 percent in North America by 2024 and 100 percent by 2029," said Bhatt. "Complicating matters further, the rules simply exclude any critical minerals from or batteries manufactured in "foreign entities of concern" by 2025 and 2024, respectively – essentially barring China from the supply chain."

Bhatt highlighted the practical problem of cutting China, the world's third largest producer of lithium and a global leader in lithium-ion battery markets, out of the supply chain, and the challenges in tracing the source of the minerals and production. According to the U.S. Department of Energy, the United States imports more than 80% of its rare earth elements from offshore suppliers.

"Industry experts say all these rules mean that no EVs on the market qualify for the tax credits," said Bhatt.

Cobalt, copper, lithium, nickel, and rare earth elements are essential minerals in building EVs and batteries, but the production and processing of these minerals are concentrated in a few countries. In September, the DOE announced $156 million in funding for a Critical Minerals Refinery, with the funding sourced from the Bipartisan Infrastructure Law. When built, the refinery would process coal waste and ash, acid mine drainage, and discharged water to extract, separate, produce, and refine rare earth elements and other critical minerals. Obviously, it will take years to construct the refinery, forcing sourcing outside the United States.

According to PIIE, Australia is the largest producer of lithium followed by Chile, China, and Argentina. For cobalt, the Democratic Republic of the Congo is by far the largest producer with a 69% market share followed by Russia,

4 https://rbnenergy.com/one-shining-moment-part-3-as-interest-in-evs-spikes-revised-tax-credit-boosts-plans-for-us-production
5 https://www.piie.com/

Australia, Cuba, and Canada. Chile is the world's top producer of copper followed by Peru, China, Congo, and the United States. Indonesia accounts for 39.4% of the global production of nickel, followed by Philippines, Russia, New Caledonia, and Australia. For rare earth elements, China has the world's largest reserves, double the size of Vietnam's, which is the second biggest producer. Russia and Brazil are third with similar amounts, with India the fifth largest producer.

PIIE notes the lack of transparency in compiling the list of largest producers obfuscated by the fact companies that are mining and processing these minerals are not necessarily incorporated in the country with the reserves.

"China's control over the global value chains involving critical minerals and REES extend beyond what is commonly assumed," states PIIE in a working paper entitled, "Green Energy Depends on Critical Minerals. Who Controls the Supply Chains?"

Of the top five companies producing rare earth elements, three are incorporated in China that—combined—account for 65.3 percent of global output, and one is in the United States with 15 percent of global production. Other Chinese companies add another 3.3 percent of global output capacity.

"Risks related to the geographic distribution of production are of special concern," said PIIE. "The concentration of production in one or a few counties makes the supply chains relying on these minerals vulnerable not only to market power and logistical risks but also to geopolitically induced disruptions, especially through trade restrictions."

Lucian Pugliaresi, president of Energy Policy Research Foundation Inc., in testimony before the House Committee on Energy and Commerce in June highlighted risks to the EV and battery supply chain exacerbated by Russia's invasion of Ukraine in February. He testified "the U.S. will require what can only be described as a massive increase in critical minerals and materials to meet the requirements of the energy transition."

While the IRA along with the Bipartisan Infrastructure Law provide the heft in helping drive the energy transition to EVs, formidable challenges in securing the material for greater adoption and to reach critical mass might very well take longer than current analysis suggest.

"The energy transition is going to take time, likely many decades, and may, in the end, prove more elusive than current expectations," said Pugliaresi. ★

About the author

Brian L. Milne is a 26-year veteran of the energy industry, serving in multiple roles at DTN including Editor and Analyst. Milne has delivered dozens of presentations on a wide range of topics discussing energy markets, and has been quoted widely in the media, including the Wall Street Journal, Barron's, USA Today, Newsweek, CNN, National Public Radio, and major regional news outlets. He has authored numerous articles for international magazines, exploring market dynamics and providing forward thinking commentary and analysis. Milne graduated Monmouth University in New Jersey with a B.A. in History and an Interdisciplinary in Political Science (Magna Cum Laude).

6 https://www.piie.com/publications/working-papers/green-energy-depends-critical-minerals-who-controls-supply-chains

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