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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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Dale Boyett
SIGMA President

viewpoint

A Look Back, and Ahead

As I near the halfway my term as SIGMA president, I was thinking about all the great things we have done over the past year, and looking ahead to what lies in store for 2024.

One ongoing positive note is that SIGMA's conferences continue to excel – both from a content perspective and from the number of industry peers they attract. Based on our Spring Conference attendance in New Orleans, it is clear that SIGMA members are happy to network in person. It has always been a SIGMA hallmark that its conferences bring together marketers, suppliers, and partners all under one roof—the sharpest minds in the industry sharing anecdotes, insights, and best practices. And let's not forget the business transactions that are accomplished in those few short days! I am looking forward to another outstanding event in November when we gather for our 2023 Annual Conference at the JW Marriott Grande Lakes in Orlando. Because the Annual Conference is at a resort location this year, we will have a golf tournament. Spots are limited, so make sure to register. Also, new this year, SIGMA will have a pickleball tournament –so sign up, break out the paddles, and get ready to compete!

I'm also happy with SIGMA's ELC education workshop format that allows a deeper dive into the given topic. If you joined SIGMA in Snowbird this winter, I am sure you were pleased with the value this format provides. I encourage you to plan to sign up for next year's ELC in Sun Valley, ID. This conference is not just for owners and executives. Its smaller format is the perfect opportunity for other members of your leadership team to start building their own SIGMA networks. Sun Valley is a beautiful location and its charming village offers entertainment even if you are not a snow sports enthusiast!

SIGMA also has exciting things planned that we can look forward to in 2024. As I mentioned above, the 2024 ELC will be in Sun Valley, with standout workshop education and some of the best skiing in the West. In May we will venture to Austin for the 2024 Spring Conference. This will be SIGMA's second visit to Austin, and based on our first visit, it is sure to be a success. Finally, the 2024 Annual Conference will be in Boston, a perennial SIGMA favorite. One note – all of SIGMA's upcoming events through the beginning of 2026 are listed on the SIGMA website's event page. Make sure to calendar them now so you don't run into conflicts with other work or personal events.

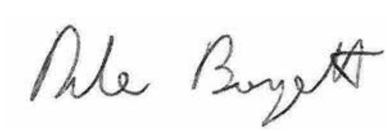
SIGMA also continues to have strong advocacy representation before Congress and the Administration with our government relations team. In a busy congressional season focusing on transportation, infrastructure, and tax incentives, SIGMA did not miss a beat.

Looking back, I am pleased overall. There are still some areas in which we can improve, however – increasing participation in SIGMA by all member company management teams rather than just certain individuals and increasing attendance at our Summer Legislative Conference and Day on the Hill. Looking ahead, I see a strong future as our industry responds to the challenge of a "clean energy economy." As we navigate that challenge, as when we navigated the challenges presented by the pandemic, SIGMA will continue to be both a source of information and a strong advocate for your company and mine.

I hope to see you at the Annual Conference in Orlando in November.

Sincerely,

Dale Boyett, Boyett Petroleum
SIGMA President ★



profile:

By Mark Ward Sr.

PATRIOT FUELS USA

"I'm a wholesale man." So says Rodney Walker, president of Patriot Fuels USA in Lineville, Alabama, a rising company with sights set on marketing fuel across the southeastern United States. That goal is in reach as Patriot Fuels USA serves a growing number of rural jobbers who are often neglected by larger consolidated suppliers—and because Patriot Fuels USA is headed by a true entrepreneur.

Though focused on fuel wholesaling, Walker helms multiple enterprises. At four retail locations, Patriot Fueling Centers have leveraged automated technology to create a concept now being franchised. Walker also owns separate companies in construction, quarrying, and cattle ranching. He himself is a commercially licensed helicopter pilot who takes his four-seat Robinson R-44 chopper on business and has flown in assistance of the county sheriff's department, the state Department of Agriculture, and local rescue squad missions.

Walker's journey started early. "As a kid, I pumped gas and helped customers at an old-fashioned local grocery, Burdette's Grocery in Talladega, that belonged to my grandad's sister and her husband," he recalls. "I also had several friends in school whose families were in the oil jobber business. So, I grew up around the fuel business."

Like many who are successful today, Walker credits the influence of key mentors. "My dad taught me that I have a duty to my customers to always provide fuel when and where they need it—and to see my customers and me as a team who mutually depend on each other," he relates. He also cites the guidance of hometown mentor David Willingham who "has been in the fuel business all of his life and always pushed and encouraged me to take that path and fill a need in our local community."

That path to today's Patriot Fuels USA has followed multiple branches along the way.

Walker began in construction some 35 years ago while still in his twenties. Next, he opened a rock quarry. Then came Walker Lands & Cattle LLC. Today the operation boasts 750 Black Angus cows, 26 bulls, and 600 calves, and has been ranked for ten years as the nation's top dealer of Gooseneck cattle trailers, selling cattle trailers all over the United States including Hawaii.

"Diversification has played a big part in getting to where I am in life," says Walker. "For example, I love cattle ranching and could talk about it for hours. But even though I'm the sole owner of all my businesses, I have a great group of people who manage each one. I know each business well so that I can provide overall direction—and I know the books on each one in detail—but I don't try to micromanage." ►

Fulfilling his childhood love, Walker in 2006 diversified into retail fueling with his first store. Ten years later, in 2016, he built his first Patriot Fueling Center in Lineville. "Business was great," he reports, "so that in 2018 we opened a site in Wetumpka and in 2020 in Alex City, both in Alabama. Currently we have a fourth center under construction in Montgomery."

Then in 2019, Walker formed a wholesale terminal supply group under the corporate name Patriot Fueling Centers USA Inc., doing business as Patriot Fuels USA. Early last year the operation got underway when it obtained an Alabama Supplier License and Federal Excise Tax License, after several years working hard to pass the stringent process to get them, and since then has become also licensed in Georgia, Mississippi, Florida, and South Carolina.

Growing the Old-Fashioned Way

In the relatively short time since its inception, Patriot Fuels USA has already achieved average sales of $10 million per month and volumes of up to 250,000 gallons per day across a territory than spans six states: Alabama, Georgia, Mississippi, Tennessee, South Carolina, and Florida. The company offers rack sales at 16 bulk terminals—five in Alabama, six in Georgia, and five in Tennessee. Fourteen terminals are open for sales, while two are newly owned by Patriot Fuels USA and currently under renovation.

Walker's company has achieved such growth by offering what he calls "old-fashioned customer service." First, he identified an underserved niche. "We cater to multi-generational wholesalers and jobbers, especially rural jobbers, who buy about 300,000 to 1 million gallons per month," he explains. "Due to consolidation among suppliers, smaller jobbers aren't being served as well by the big wholesalers that are looking for big gallons."

As a result, Walker continues, "the 'smaller oil companies' feel like they're being pushed to the side. But at Patriot Fuels USA, we can give these jobbers personal service. We have two full-time sales reps—with plans to hire another—who give our customers the personal touch. They pinpoint an area to visit every day and visit three to five customers or prospects. And at times, I also go myself to see our customers."

Another hallmark of the company's marketing strategy is not competing with its own customers. Patriot Fuels USA does not sell to end users, only to fuel resellers who in turn supply their own customers. Walker and his team provide the inventory through their terminal locations and then customers pick up their fuel at the rack.

"We believe in marketing the old-fashioned way," adds Walker. "Customer service means knowing each customer by name, not a number. We're here for our customers 24/7/365. They can call any one of us, in any time of need, and we do all we can to help them. This is very different from most of the giant corporations that sometimes allocate customer service based on return on investment and how many dollars a customer might spend. We treat everyone like we want to be treated and live by the Golden Rule each day."

That philosophy extends to the company's own suppliers. "Our fuel supply comes from the refineries on the Gulf Coast of Louisiana," Walker reports. "We have great relationships with our vendors because we strive to help our vendors rather than just asking what they can do for us. Without them, we can't operate or survive. Like my dad always told me, you can't sell fuel from an empty wagon."

Walker cites his company's relationships with Planation Pipeline and throughput partners Buckeye Terminals, Vecenergy Terminals, Apex Terminals, and Kinder-Morgan. "And we also have great relationships with other suppliers," he adds, "who we call on to help with ethanol or spot trades, to help us fill a gap in the supply chain."

The Golden Rule likewise applies internally. Walker views his people "as a team that works together and helps each other grow and be better. My approach is not to put people in shutters, but to build each other up. We attend trade shows and meetings together, where we can bond and talk about things. We have monthly meetings to discuss the future of the company. And we're always a phone call or text away to lend each other a helping hand."

A culture of treating customers like family begins at home. To that end, Walker credits the dedicated team that runs Patriot Fuels USA. Stacie Hudson is vice president of marketing and excise taxes—and Walker's fiancée, with a 2023 wedding planned at the scenic Walker Cattle Ranch. Sales manager Bobby Crenshaw draws on four decades of petroleum industry experience, industry experience, while Walker's stepson Sean Grissett is a full-time sales rep who visits customers daily. Haley Upchurch and Kaytlin Upchurch handle office and accounting tasks. Margo Hill is our area store manager and we have a great team at our stores also.

"I'm supported by a great group of people," Walker states, "including the people in charge of our construction and farm operations." Among these are Todd Tramell, Eugene Eller, Cory Howe, and Juan Mosquez. The cattle ranch runs more than 1,300 head of stock and is a top national dealer in cattle trailers, while the construction company is a commercially licensed general contractor with projects that span convenience stores, fast food restaurants, insurance agency offices, and excavation and grading services.

Leveraging Synergies

The future for Patriot Fuels USA, says Walker, "is to continue to grow. We'd like to cover all markets in the Southeast. To do that and serve new and existing customers, we plan to expand our lines of credit and increase our inventory. We've developed a business model that can succeed by organic growth, rather than growing by acquisitions of other fuel suppliers."

Part of the model is leveraging synergies between the wholesale operations of Patriot Fuels USA and the retail operations of Patriot Fueling Centers. The latter currently encompasses three operational sites in Alabama and one under construction in the capital city of Montgomery. Walker explains that the four Patriot Fueling Centers are not travel centers or truck stops but are fully automated truck and auto fueling centers.

The prototypical Patriot Fueling Center sits on three to five acres, is sited on a state highway in a rural location, features a forecourt of eight to twelve MPDs, and has a freestanding store of 1,320 square feet. Notably, the fully automated sites are cashier-less and offer robotic self-service for convenience store items. Further, the Montgomery site now under construction is sited on 20 acres that will allow future travel trailer parking, as well as fuel on the Alabama River.

"Where I see great potential for synergy with our wholesale side is in franchising our Patriot Fuel Center concept," states Walker. "Last year we finalized the paperwork to set us up as a franchisor. Now our first franchise store is under contract and being built in Opp, Alabama.

From the inception of the Patriot Fueling Centers, we wanted to offer other hometown people a way to get into the fuel station business."

The automated concept allows franchisees to operate a Patriot Fuel Center that is open 24/7, but without overhead for labor ▶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ALABAMA – MONTGOMERY – US VENTURE
GEORGIA – ALBANY – BUCKEYE
GEORGIA – CHATTAHOOCHEE – BUCKEYE
GEORGIA – COLUMBUS – PATRIOT USA
GEORGIA – DORAVILLE 2 – BUCKEYE
GEORGIA – MACON – VECENERGY
GEORGIA – MACON – BUCKEYE
TENNESSEE – CHATTANOOGA – BUCKEYE 1 & 2
TENNESSEE – KNOXVILLE – BUCKEYE
TENNESSEE – NASHVILLE – BUCKEYE 1 & 2
*MORE LOCATIONS BEING ADDED

and without the challenges of employee turnover and recruiting and training new help. At the same time, Walker can expand the Patriot concept without capital outlays of $2 million to $4 million per location to build direct-operated sites.

"We can help the 'little guy' open a fueling center for their area, without going through a lot of red tape," says Walker. "And when the center is open, automation means it will be open all the time, even as other stores have a hard time hiring people. Our franchisees will need fuel from local jobbers, and those jobbers can come to us for product. So, the franchise concept is a win-win-win for franchisors, their jobbers, and Patriot Fuels USA."

Joining the Family

With a diverse set of companies—fueling to mining, and construction to cattle—Walker admits that "establishing a first-generation family business is one of the hardest things you can do. Of course, the people around you are the people in your life who you can trust and depend on. But it can also be easy sometimes to lash out about various problems. And your family hears about these problems after work when everyone else has gone home. So, you learn to tolerate each other and be supportive, despite the long hours needed to make a company successful."

Walker also admits that as founder and leader, "I guard myself against being unfairly harder on my family than on others, because you have a natural tendency to expect more or want more from your family. I've learned to see myself as a 'family coach.' My goal is getting my family across the finish line and winning the race. To do that, you have to master the art of bringing everyone together—family and employees—and pushing your team to be the best it can, while loving each person and appreciating each one's qualities."

Last year, Patriot Fuels USA joined the SIGMA family. "How that happened is interesting," Walker recalls. "I was in the office one day and needed to make some calls. But I learned that SIGMA was meeting in New Orleans, which isn't too far from us. Then as I made my calls, everyone I tried to contact was at the SIGMA meeting. So, I reached out to the SIGMA office myself." Walker felt right at home as he interacted with a SIGMA staff that shared his values of customer service. "Without a doubt, SIGMA is one of the best fuel organizations there is," he says. "The staff work hard to make sure that each member, no matter how big or small, feels important and appreciated. They go the extra mile—for example, by setting up contacts with vendors or bankers that I wanted to meet but didn't have their information." For their part, Walker continues, the association's elected leadership "is always there to say hello and make sure you're taken care of. I'd strongly recommend to any marketer or vendor that joining SIGMA is the best money you'll ever spend. You'll be where the action is, meet key contacts, build lifetime friendships, and have the help that you need to succeed."

Walker is bullish on prospects for independent marketers. "I honestly believe the future is very bright for our industry," he says. "First, we're not going to move away from fossil fuels for a very long time. We simply don't have the infrastructure for a total switch to electric vehicles."

Though industry consolidation is a fact of life, Walker points out that his experience shows how change creates opportunities. "We've built a large and growing wholesale business," he notes, "by supplying a niche of jobbers who were being bypassed by the big suppliers. And by leveraging robotic technology, we've launched a franchise concept that puts the opportunity to own a fueling center within reach of underserved markets."

He recognizes that "a lot of small operators are being consumed by larger organizations." Yet Walker concludes, "This is America, and we need to always show the younger generation that there is a way into this market and industry. I'm not embarrassed to talk about the American Dream. And in my own way, I'm excited to help make it possible for a new generation to survive and thrive as independent marketers." ★

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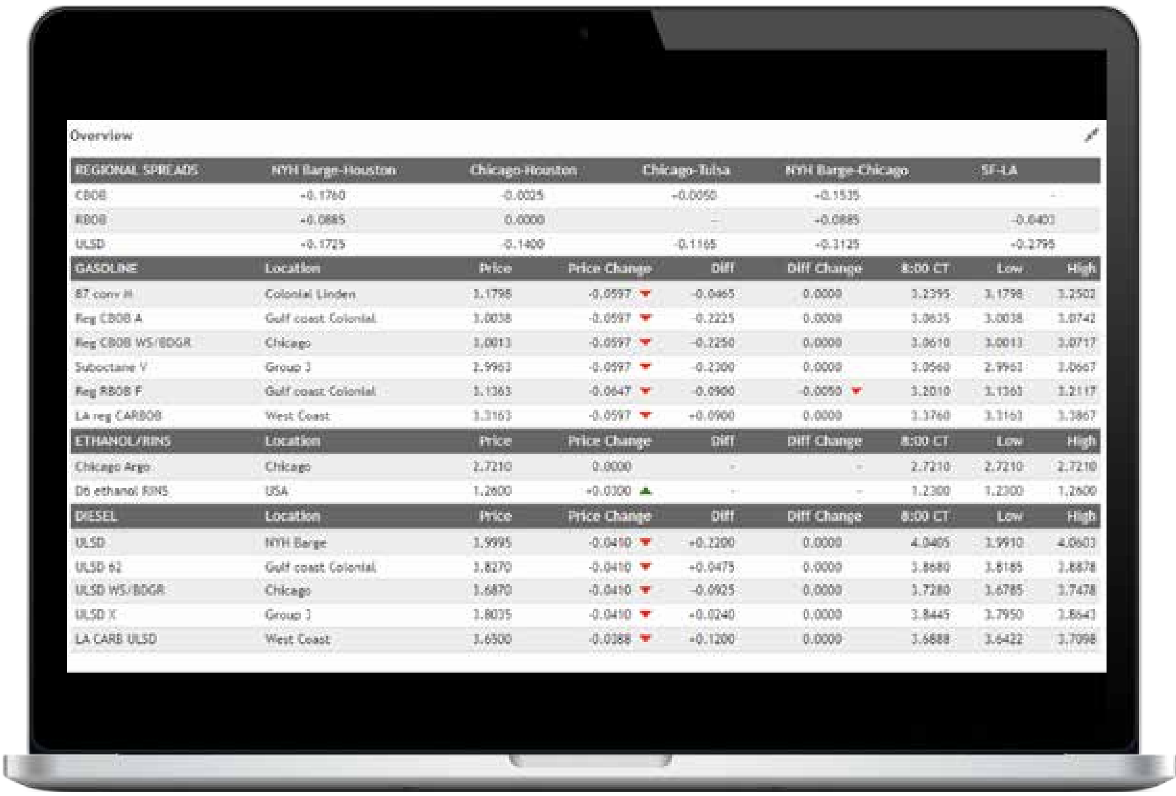

Overview

REGIONAL SPREADS	NYH Barge-Houston	Chicago-Houston	Chicago-Tulsa	NYH Barge-Chicago	SF-LA
CBOB	+0.1760	-0.0025	+0.0050	+0.1535	-
RBOB	+0.0885	0.0000	–	+0.0885	-0.0403
ULSD	+0.1725	-0.1400	-0.1165	+0.3125	+0.2795

GASOLINE	Location	Price	Price Change	Diff	Diff Change	8:00 CT	Low	High
87 conv M	Colonial Linden	3.1798	-0.0597 ▼	-0.0465	0.0000	3.2395	3.1798	3.2502
Reg CBOB A	Gulf coast Colonial	3.0038	-0.0597 ▼	-0.2225	0.0000	3.0635	3.0038	3.0742
Reg CBOB WS/BDGR	Chicago	3.0013	-0.0597 ▼	-0.2250	0.0000	3.0610	3.0013	3.0717
Suboctane V	Group 3	2.9963	-0.0597 ▼	-0.2300	0.0000	3.0560	2.9963	3.0667
Reg RBOB F	Gulf coast Colonial	3.1363	-0.0647 ▼	-0.0900	-0.0050 ▼	3.2010	3.1363	3.2117
LA reg CARBOB	West Coast	3.3163	-0.0597 ▼	+0.0900	0.0000	3.3760	3.3163	3.3867

ETHANOL/RINS	Location	Price	Price Change	Diff	Diff Change	8:00 CT	Low	High
Chicago Argo	Chicago	2.7210	0.0000	-	-	2.7210	2.7210	2.7210
D6 ethanol RINS	USA	1.2600	+0.0300 ▲	-	-	1.2300	1.2300	1.2600

DIESEL	Location	Price	Price Change	Diff	Diff Change	8:00 CT	Low	High
ULSD	NYH Barge	3.9995	-0.0410 ▼	+0.2200	0.0000	4.0405	3.9910	4.0603
ULSD 62	Gulf coast Colonial	3.8270	-0.0410 ▼	+0.0475	0.0000	3.8680	3.8185	3.8878
ULSD WS/BDGR	Chicago	3.6870	-0.0410 ▼	-0.0925	0.0000	3.7280	3.6785	3.7478
ULSD X	Group 3	3.8035	-0.0410 ▼	+0.0240	0.0000	3.8445	3.7950	3.8643
LA CARB ULSD	West Coast	3.6500	-0.0388 ▼	+0.1200	0.0000	3.6888	3.6422	3.7098

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illuminating the markets

Inside SIGMA

BY RYAN MCNUTT, CEO, SIGMA

THE FUEL FOUNDATION

In partnership with

TRANSPORTATION ENERGY INSTITUTE

As I discussed in my last column, SIGMA's Fuel Foundation was established to drive change in our industry through research, education, and independent studies, promoting forward thinking and in-depth analysis on the issues facing our business each and every day. As part of its mission, The Fuel Foundation is committed to preparing our industry for the transition to a clean energy economy. Preparation requires research, and that is why The Fuel Foundation has partnered with the Transportation Energy Institute (formerly the Fuels Institute) to commission studies on the important challenges facing our industry.

One such study funded by The Fuel Foundation involved and analysis and evaluation of options for reducing carbon from combustion engine vehicles. The report, titled "Decarbonizing Combustion Vehicles: A Portfolio Approach to GHG Reductions," evaluates "the viability and emissions reduction potential of a variety of technology and energy options that can benefit the ICEV market and concludes that adopting a portfolio approach that matches low carbon strategies with different vehicle types and use cases is the most effective path for decarbonizing the transportation sector." The report presents a portfolio of options available to policymakers and market leaders seeking to achieve meaningful emissions reductions from the transportation sector and evaluates:

- The benefits and importance of early GHG reductions considering the atmospheric life of GHGs and the slow pace of fleet turnover
- The life cycle emissions of various ICEV energy options
- The low carbon potential, scalability and feedstock availability of biofuels
- The factors that will affect the market's transition to each evaluated option

The report found that "near-term steps to reduce the carbon intensity of fuels will play a critical role in limiting the expected increase in cumulative mobile source greenhouse gas (GHG) emissions." Additionally, internal combustion engine vehicles (ICEVs) technologies and the associated fuels "can continue to be employed over broad and energy-intensive transportation applications while making substantial contributions to near- and long-term GHG [greenhouse gas] emissions reductions. In fact, substantial reductions in GHG emissions from LDVs [light duty vehicles] in the near term can only be achieved by reducing emissions from ICEVs," the report states. Further, the study concluded that in the 2022-2050 timeframe, biofueled ICEVs are likely to remain competitive with electric vehicle emission reductions. "Taken together, decarbonizing the ICEV fleet and growing the EV fleet will maximize cumulative GHG reductions," the study found.

An earlier study funded by The Fuel Foundation involved a "Life Cycle Analysis Comparison: Electric and Internal Combustion Engine Vehicles." This study, evaluated and compared "the life cycle environmental impact of internal combustion vehicles and electric vehicles (ICEV, BEV and HEV) and the energy sources that power them, as well as the corresponding total cost of ownership that affects consumers." The report ▶

leveraged findings "from existing literature and research from government agencies, private corporations, and academic institutions, as well as from a customized life cycle assessment model developed specifically to verify and test the findings of the report… to inform stakeholders about the opportunities to improve the environmental performance of electric and combustion engine vehicles and bring the most cost-effective means of cleaner transportation to consumers."

This report concluded that "with future trends in technology and public policy, the life cycle GHG emissions are projected to vary, and the analysis determined the potential of such variations. Decarbonization of electricity appears to be the biggest driver in reducing the life cycle emissions from the vehicle followed by technological advancements in vehicle systems. Larger scale adoption propels the technology growth faster due to economies of scale.This is also proportional to the TCO [total cost of ownership] factor that includes the capital and operational costs of owning a vehicle for the owner." "These analysis and results are critical in guiding lawmakers and OEMs [original equipment manufacturers] to design policies and strategic decisions based on a long-term goal for countries, states, and cities," the report stated.

Research such as the two studies and reports discussed above are invaluable in helping guide the decisions of lawmakers and automakers as they develop policies and strategies to accomplish the long-term goal of reducing vehicle emissions. The Fuel Foundation's partnership with the Transportation Energy Institute facilitates this important research and provides value to SIGMA members and other stakeholders as they navigate the clean energy transition.

To fund these and future studies, The Fuel Foundation relies on contributions – which are fully tax deductible. One of the benefits of your company contributing to the Foundation is the availability of the lower Fuel Foundation Registration Rate ($725) for your team members when they register for a SIGMA conference. By supporting SIGMA's Fuel Foundation, you are able to spend less on conference registrations – a win for all involved! For more information on The Fuel Foundation Rate, contact SIGMA at sigma@sigma.org.

Please support the Fuel Foundation by making a donation today either by sending in a check or making a contribution on the Fuel Foundation page on SIGMA's website. The preservation and continued success of our industry is at stake. The risk is not potential, it is real, and it is here now. ★

Sincerely,
Ryan McNutt, CEO, SIGMA

LEVELS OF GIVING Based On Annual Contributions	AMOUNT
o Diamond	$25,000 + per year
o Platinum	$10,000
o Gold	$5,000
o Silver	$2,500
o Bronze	$1,000
o Patron	$500

Washington WATCH

SIGMA Annual Visit to Capitol Hill Advances Legislative Priorities

SIGMA members participated in nearly 100 legislative meetings in Washington, D.C., in mid-July as part of the industry's annual Summer Legislative Conference.

Fuel marketers walked the halls of Congress advancing policies aimed at enhancing the fuel supply and lowering the carbon emissions of transportation energy, as well as creating competition among credit card networks.

SIGMA's members came to Capitol Hill just as Congress was hammering out a National Defense Authorization Act (NDAA). Lawmakers also are in the heavy stages of laying the groundwork for this year's must-pass Federal Aviation Authorization and a national Farm Bill. Each of these legislative vehicles represents an opportunity for engaging SIGMA's legislative priorities.

Credit Card Competition

Notably, SIGMA's long-standing push for credit card competition garnered significant momentum in the days following member visits to Capitol Hill.

A bipartisan group of lawmakers had previously reintroduced the Credit Card Competition Act (CCCA) in both the House (H.R. 3881) and the Senate (S. 1838), which would create competition in the market by requiring that, for major banks, there be at least two routing networks available to retailers.

SIGMA marketers met with members of the Senate Finance Committee and House Financial Services Committee urging lawmakers to support the Credit Card Competition Act (H.R. 3881/S. 1838).

Within days of SIGMA's fly-in, Senators Roger Marshall (R-KS), Dick Durbin (D-IL), Peter Welch (D-VT), and J.D. Vance (R-OH) filed Credit Card Competition Act language as an amendment to the National Defense Authorization Act (NDAA).

SIGMA immediately called its membership to action, asking fuel marketers to contact their Senators and urge them to vote in favor of the amendment. The response was overwhelming, ▶

with many SIGMA marketers sending letters or calling their lawmakers asking them to support Senator Marshall's amendment.

Senator Marshall initially refused to advance the NDAA without a vote on his credit-card fee reform proposal, with several GOP senators placing a hold on the Durbin-Marshall credit card bill during the amendment process.

Ultimately, Senator Marshall allowed the NDAA to advance amid a reported promise from lawmakers that Congress will hold a vote on the Credit Card Competition Act later this year. The banking industry and Wall Street undoubtedly will continue to fight against legislative reform for credit cards and have indicated no expense will be spared to defeat the Credit Card Competition Act.

Fuel marketers will continue to urge Congress to address the duopoly in the credit card market. If the Credit Card Competition Act were enacted, fuel marketers would have a choice beyond simply Visa and Mastercard since the bill would require a smaller, competing network to be enabled on the card as well. The banks would finally be made to compete for a retailer's business, similar to what happens with debit cards today. By allowing industry to choose between multiple credit card processors, the legislation would save our industry an estimated $11 billion per year.

Liquid Fuels Policies

During their meetings with lawmakers, SIGMA members urged Congress to support fuel policies that ensure a stable fuel supply and a competitive marketplace for renewable fuels. Specifically, SIGMA members advocated for the year-round sale of E-15 and equitable tax treatment between sustainable aviation fuel (SAF) and biodiesel and renewable diesel.

SIGMA marketers urged lawmakers to implement federal legislation that would allow for the nationwide, year-round sale of E-15. SIGMA is pushing for a national solution to E-15 to eliminate a patchwork approach, which would add stress to an already volatile fuel supply chain.

Bicameral legislation was introduced in the 118th Congress that would allow E-15 to be sold in all parts of the country year-round. The Consumer and Fuel Retailer Choice Act of 2023 has strong bipartisan support in both chambers. Throughout July, active, productive discussions continued between key senators and stakeholders on year-round E-15 legislation. These negotiations led to bipartisan legislation that was introduced before Congress left town that would permit E-15 to be sold year-round in all parts of the country and prevent states from opting out of the federal RVP rules to require lower volatility gasoline as a means of accommodating year-round E-15. It also would provide targeted, one-time relief to a finite number of small refineries for previously denied or outstanding exemption petitions.

SIGMA further called on lawmakers to streamline many of the compatibility demonstration requirements for E-15, while continuing to require an E-15 label on pumps to ensure consumers know what they are purchasing.

SIGMA marketers also continued to advance the need for tax parity between sustainable aviation fuel (SAF) and renewable diesel.

The Inflation Reduction Act (IRA) awarded a tax credit of up to $1.75 for SAF production compared with a $1.00 per gallon credit for biodiesel. This additional tax credit for SAF incentivizes producers to make SAF instead of renewable diesel, drawing limited feedstocks away from lower carbon solutions for over-the-road fuels.

Congress has been an instrumental partner as the industry has adapted to using biofuels to reduce transportation emissions. The biodiesel blenders' tax credit has been a key component in what has become a robust, homegrown biodiesel and renewable diesel industry. As a result of industry investment and aid from the biodiesel blenders' tax credit, the U.S. biodiesel and renewable diesel market grew to three billion gallons in 2020, up from 100 million gallons in 2005.

This tax credit has further helped to decrease the price of biofuels for truck drivers and trucking fleets and reduce the cost of home heating oil.

But all of the progress is at risk if lawmakers over incentivize SAF. A higher tax credit for SAF without equal treatment for other biofuels will disrupt and potentially eliminate many of America's biodiesel and renewable diesel markets.

At the time of this writing, the Internal Revenue Service was finalizing the modeling requirement under which lifecycle greenhouse gas emissions will be assessed for producers seeking the SAF tax credit. SAF producers must demonstrate that their fuel generates 50 percent less greenhouse gas emissions over its life cycle than petroleum fuel. SIGMA is encouraging the IRS to require a more stringent lifecycle greenhouse gas modeling requirement (known as CORSIA) because SAF is more energy intensive to produce than biofuels and results in fewer emissions reductions.

You Make a Difference

It's clear that our success as an industry depends on fuel marketers meeting in person with lawmakers and delivering the industry's messages with one unified voice. There is no substitute for an in-person discussion with a lawmaker about how the fuel marketing business operates. The voice of a constituent matters.

SIGMA applauds those of you who took time away from your business to advocate on behalf of the entire industry. If you haven't yet attended a legislative fly-in, I hope you will consider joining your fellow marketers next year. We look forward to seeing everyone at the Summer Legislative Conference in July 2024. ★

Tiffany Wlazlowski Neuman represents SIGMA on matters of public affairs.

Inside RISK MANAGEMENT

BY: NATIONAL ACCOUNT EXECUTIVE PATRICK CUNNINGHAM, FEDERATED MUTUAL INSURANCE COMPANY

Fight Fire with Fire Prevention

Take a look at these three steps to see what you can do to educate your employees on the dangers of workplace fires, implement thorough and frequent training, and repeat important messages on how to fight fire with fire prevention.

1. Educate your employees on the consequences of a potential fire at your business.
The impacts of a fire can be:

- Far-reaching
- Deadly
- Expensive
- Time-consuming

Your business and assets could disappear in a matter of minutes due to preventable hazards, and it doesn't just affect you. Your employees, their families, and livelihoods are also at stake.

2. Implement a fire prevention plan at your business.
Your plan should include:

- A fire hazard assessment to identify sources of fire at your business
- Fire prevention practices based on assessment findings
- Employee training on fire prevention hazards on an ongoing basis
- Updates as your business evolves

Fires are avoidable. Make it your responsibility to educate and equip your employees with the knowledge on how to prevent fires at your workplace.

3. Repeat steps one and two.

- Reference your fire prevention plan regularly
- Evaluate fire hazards continuously
- Train employees on an ongoing basis

Fire prevention is an everyday practice. It could be the difference between a successful business and one that is gone the next day.

When it comes to fire safety, there is no room for error. For more information on how SIGMA members can access industry-specific resources, reach out to your Federated® marketing representative today. ★

Inside CONVENTIONS

SIGMA's in Orlando for the 2023 Annual Conference!

SIGMA's 2023 Annual Conference is November 1-3 at the JW Marriott Grande Lakes in Orlando, Florida. Register now to assure your spot in the conference hotel! Networking, education, golf, pickleball, sun, suppliers, and industry peers: the SIGMA Annual Conference has it all in November.

Your time in Florida with SIGMA will be extraordinary at the JW Marriott Orlando, Grande Lakes. Located on a lush, 500-acre property, the resort is the ideal location for the SIGMA 2023 Annual Conference. Experience the new Grande Lakes Waterpark featuring a lazy river, Headwaters Slide Tower with three waterslides, restful lagoons, and luxury cabanas, or try out the challenging 18-hole golf course, designed by PGA legend Greg Norman (yes, there will be golf!). Stretch out in modern rooms offering luxury bedding, marble bathrooms, 65-inch HDTVs, and sweeping views of the resort. Select from several enticing in-house dining options, from Italian fare at Primo to a farm-to-table menu and craft beer at Whisper Creek Farm. JW Marriott Orlando, Grande Lakes provides an exceptional experience that you and your team will not soon forget.

Things to Do

Orlando is the perfect destination thanks to wondrous diversity that ensures an unforgettable visit filled with unique experiences for every individual. In short, you'll never run out of things to do in Orlando — and you'll make cherished memories while you're at it! From theme parks, to shopping, to ecotourism — there is something for everyone in Orlando!

JW Marriott Activities

The JW Marriott Orlando, Grande Lakes is a family friendly resort with a water park and lazy river on site. Come in a few days early and enjoy the property with your family!

Theme Parks

The hotel concierge can assist with tickets to any Disney or other theme park attractions. Although SIGMA does not have a discount available for tickets, there is complimentary shuttle service to various parks, from the hotel.

For Disney aficionados, on October 31st Disney celebrates Halloween. Then magically overnight, on November 1st when the parks open, they are decorated for Christmas. It is something to experience!

Weather

In early November, the weather in Orlando is usually comfortable with early morning lows mostly in the mid 60s F and afternoon high temperatures mostly in the 70s F. You can't rule out a stray shower, so packing an umbrella or rain jacket may be advisable.

Magic

It's true: Orlando is a magical place. A short ride from the bright lights are outdoors adventures such as 72-degree springs and airboat rides in the headwaters of the Everglades. Whether you're a theme park enthusiast, golfer, bird watcher, foodie, water sports fanatic, sun worshipper, arts patron, serious shopper or anything in between, you're always welcome. The possibilities are endless. And wonder is always within reach. It's the getaway you deserve — and you'll only find it in Orlando with SIGMA.

For full conference information and to register, visit the Events page on the SIGMA website (www.sigma.org).

See you in Orlando! ★

U.S. Gulf Coast-NY Harbor Gasoline ARB Weakens

BY ARGUS MEDIA

Shipping U.S. Gulf Coast gasoline to the U.S. Northeast yielded less profitability late this summer when steady U.S. Atlantic Coast inventories and shortages at the Gulf coast narrowed inter-regional price spreads.

Consumers trekking between the Gulf and East Coasts may notice a smaller price gap than usual. Gasoline arbitrage economics between the two regions hit its lowest point of the year during the second week of August after largely posting double-digit spreads from mid-April through mid-July. Gulf Coast discounts to the New York Harbor for gasoline blendstocks RBOB and CBOB, as well as conventional 87 octane gasoline, narrowed and averaged 2.78¢/USG that week, almost 9¢/USG below the June/July period and far beneath the 6.58¢/USG Colonial pipeline shipping cost from Pasadena, Texas, to Linden, New Jersey.

The arbitrage has been pressured by robust inventories and weak demand in the Atlantic Coast over the past month, particularly for RBOB. National finished gasoline products supplied — a measure of demand — waned as the summer driving season neared its end, averaging 8.983mn b/d during a four-week stretch ending 4 August, down by approximately 3pc from the prior four-week average, according to U.S. Energy Information Administration (EIA) data.

Softer demand likely spurred inventory growth at the Atlantic Coast, where gasoline stocks averaged 55.5mn bl from the week ended 7 July through 4 August, 5pc above a year earlier. Atlantic Coast RBOB inventories rose to a four-month high at 19.3mn bl the week ended 28 July and were largely unchanged last week.

Increased regional production also likely contributed to strong gasoline stock levels during that stretch. Atlantic Coast refinery runs rose to an eight-week high at 91.2pc the last week of July before dropping to 88.9pc the following week, according to EIA data. Runs increased after the catalytic cracker at Phillips 66's Bayway 259,000 b/d refinery in New Jersey was heard to have restarted in late July.

These Atlantic Coast market dynamics have diverged in comparison to the Gulf Coast, where refinery issues and increased exports have trimmed gasoline supply and buoyed prices higher.

Total gasoline stocks at the Gulf Coast were down nearly 7pc at 79.9mn bl the first week of August compared with a year earlier. Stocks thinned as RBOB inventories shed 17pc to 10.1mn bl from the same week in 2022, marking the lowest stock level since the week ended 24 March, EIA estimates show. RBOB prices rose to an average a 0.906¢/USG premium to Nymex RBOB futures the first 10 days of August, up from an average discount of 3.582¢/USG in July and well above an average discount of 19.016¢/USG during the same period last year.

Still, even as Gulf Coast prices climb, gasoline shipments along the Colonial Pipeline to the East Coast continued contributing to Atlantic Coast stock levels this summer, with Colonial allocated for cycles delivering through at least early September. Regular CBOB, which draws demand from the southeast United States, has been the most viable shipping option on paper this summer, yet weaker regional spreads may stifle shipping interest in August and September.

Nationally, demand has trended lower during the second half of the summer. But U.S. product supplied of finished motor gasoline rose to a five-week high at 9.3mn b/d the week ended 4 August, according to EIA data, with the Gulf Coast likely being a factor in stronger demand levels. At the same time, U.S. exports of total motor gasoline, mostly originating from the Gulf Coast, grew by 123,000 b/d to 941,000 b/d. ★


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Inside FAMILY BUSINESS

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

Accountability

What does the word **Accountability** signal to most people?

Oh no, I am going to be confronted with something about myself; exposed for something I'm not doing, something expected of me. Or I'll have to pay the price in some way for something I did. Or maybe it's just trying to hold oneself up to a standard such as having only one beer not two. And there is always a lot of political blustering about holding people accountable.

In business, holding employees accountable is necessary and it can take many forms. Of course, the most obvious is the "dreaded performance review."

Business owners often ask themselves:

Why did my employees not follow instructions?
Why do they keep doing things their way?
Why are my employees afraid to ask questions?
Do they trust me?
Why don't my employees meet their deadlines?
Why do they only do the right thing when I'm watching over them?
Why do I feel like a babysitter?

It is not unusual at all for companies to experience difficulties with accountability. But what is the definition of accountability? Webster's defines "accountable" as "Subject to having to report, explain or justify; being answerable, responsible."

Or accountability is the act of taking ownership of your actions. It is also doing what you say you will do in a timely manner. When you are accountable, you accept the positive or negative consequences for the results you provide.

Accountability vs. Responsibility?

Responsibility is task oriented. Every person on a team may be responsible for a given task that is required to complete a massive project. Accountability is what happens after a situation has occurred. It is how you respond and take ownership over the results. ▶

Let's dig a little deeper. Consider these Five Principles of Accountability

#1 – Expectations: There must be a clear understanding of the necessary expectations by all parties involved.
Job descriptions should be a foundation of expectations.
Projects need defined parameters and specific timelines.
Clarity of criteria for receiving bonuses.
Clarity of commission structures.
And even clarity about consequence of non-performance.

To establish this principle, you must develop: A quality and consistent method of communication.

Communication is key to each principle just as it is in so much of human interaction. And so often it is what I call OIA – Osmotic, Intuitive, Assumptive which leads to many misunderstandings.

#2 – Integrity/Commitment: You must establish points of integrity.
Expectations set, then gain commitment. "We both understand, right?" "I've got this and know what I have to accomplish. I will get it done." Promises create commitment, threats do not. When people understand the level of commitment involved, they are more likely to spend time and effort making sure they can produce the agreed-on results.

#3 – No Empty Threats: Never draw lines in the sand that you don't intend to back up.
With empty threats people get confused, lines get hazy, and you lose credibility.

Years ago, in my clinical practice parents would be dealing with a difficult teenager. There would be such a level of frustration and dad would say, "you are grounded for a year!" "Or you can't use the car until hell freezes over." Well, there was no way this was going to be enforced and about 3 weeks in the leniency began.

Define the consequences and stick with them. Sure, there is room for adjustment if expectations have been re-calibrated and agreed to.

#4 – Follow up: Inspect what you expect.
I hear this quite often from owners. Of course, some of them are better at saying it than doing it. Teachers need to be sure the homework is done. Owners and managers need to routinely and sometimes unexpectedly show up, take a look and comment. Some positivity here goes a long way too.

Someone once told me, 'The sound of the owner's feet is the best fertilizer'.

#5 – Feedback: Deliver direct timely and predictable performance feedback.

Even simple consistent feedback is one element of accountability. My experience has been that employees want it.

To have clear and consistent communication you must have a method of quality feedback. Annual reviews are supposedly expected in many companies, but when I interview employees, I often hear about inconsistency, or it's done just to meet the requirements or in anticipation of a raise.

It is helpful to consider feedback as critique not criticism and more than once a year is certainly best.

An artful critique can be one of the most helpful messages you can send. An artful critique focuses on what a person has done and can do rather than reading a mark of character into a job poorly done. "A character attack or over generalization misses the point. Then defensiveness and lack of receptivity is the result.

And, in terms of motivation, when people believe that their failures are due to some unchangeable deficit in themselves, they lose hope and stop trying. The basic belief that leads to optimism is that setbacks or failures are due to circumstances that we can change for the better.

Skillful critique is also intricately entwined with the art of praise.

A culture of accountability will hold owners accountable to the employees too. In short, everyone is accountable to everyone else along with fundamental personal responsibility.

Now let's complicate the matter with family:
How can we hold the people we love accountable?

How can siblings and other family hold each other accountable without conflict?

Much conflict happens because of avoiding difficult conversations. Swept under the rug is a common phrase. But, at some point the lump gets too big and people trip over it. No longer being able to ignore it, the blow up happens. Non-family employees know there will be leniency with family. They can accept and live with this up to a point as well. But they have their limits too.

Families operate quite a bit on the OIA – Osmotic, Intuitive, Assumptive. However, there is a need for explicit agreement about accountability and the use of feedback with each other. What if we saw feedback as a gift. An obligation, even, because you love and care about someone.

What if, as family, you could be deliberate in this way:

Family Member Accountability Pledge:
I will lift you up.
I will not deny you observation and critique.
I will be your awareness mirror.
I will give you timely regular feedback.
I will give you feedback constructively.
We are in this together.
I welcome and expect the same of you.

Give it a try. It may be easier than you think.
Soon, Ron

And now the rest of the story:

Constructive feedback focuses on an action or behavior, never on the individual. When feedback sounds like a veiled (or not so veiled) criticism or attack, there is something wrong with it, as in the following cases.

1. You totally blew that sales call, Ed. In fact, you acted like a rank amateur, not a seasoned account executive.

2. If this report is an example of your literary skill, you are no writer, that's for sure!

3. Your people skills sure didn't work in that meeting today.

4. You don't follow instructions; you just do it your way.

5. The position you took on this issue is insane. It just doesn't make any sense.

6. Sexual harassment is not tolerated in this company. Get my drift, Sam, or do I have to spell it out?

Even more:
Harsh feedback does not help people thrive and excel. Indeed, effective critique needs to be delivered with respect and care. Frequent or exclusively negative comments can spark defensive reactions that cloud perceptions and dampen motivation.

Positive feedback is critical for learning. People are often quick to notice what's wrong, but it's equally important to pay attention to and provide input on what is working well.

Telling someone how to fix a problem is often the wrong approach. You'll foster more learning by asking questions that stimulate reflection and coaching people into exploration and experimentation. Improved commitment may also result.

Feedback is never purely objective since it is delivered from a human being with a unique perspective. However, for a leader, knowing how others see and experience him/her is incredibly valuable since those others make decisions based on their perceptions—decisions about whom to listen to, cooperate with, trust, support and promote.
Research indicates that 360-feedback recipients who get unfavorable ratings tend to improve their performance more than others. Successful executives credit all types of potentially threatening events (e.g., horrible bosses, making a business mistake, being demoted, and firing employees) as key drivers of their development and improvement.

Feedback can't just be focused on strengths: Ignoring one's weaknesses is one of the greatest contributors to individual derailment in organizations. No matter how well-tuned a leader's strengths are, one unaddressed "fatal flaw" (e.g., arrogance, inability to build a team or difficulty adapting to a new context) can lead to failure — particularly if it goes unacknowledged by the individual. When you focus only on strengths, you lull people into believing there are no areas in which they need to improve. It also lets managers off the hook for fostering necessary — and sometimes difficult — development in their reports and co-workers, which ultimately compromises organizational effectiveness. ★

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BRINGING FOOD SERVICE TO THE NEXT LEVEL

BY MAURA KELLER

Today's food service programs within the gasoline marketing and convenience store environment are a mere shadow of their former selves. Rather than simply offering prepackaged deli sandwiches or roller-grilled hot dogs, today's food service offerings include fresh fruit, freshly prepared salads, and fast-casual menus that rival full-fledged restaurants, making consumers stop in their tracks and take notice.

According to Michael Salafia, managing partner at STAX Equity and director of real estate for SQRL Holdings, which is part of the convenience store and gas station industry, operating over 160 locations across 12 states, the food service space is becoming a bigger part of SQRL's business plan and they are seeing an uptick in food service sales across the country.

"So why is this happening? Convenience. Customers are already stopping to refuel their cars and might as well refuel their bodies," Salafia says. "It's also a shift in consumer behavior." As Salafia explains, fast food quality is so low it makes it possible for c-store operators to compete on food quality.

"There is a cultural undercurrent of it being socially acceptable, and in many cases even 'cool' to grab food from the c-store," Salafia says. "Krispy Krunchy Chicken has been a good example for us at SQRL, a fast-growing national operator of service stations and convenience stores where I serve as head of real estate. We also have been onboarding local food trucks to take over the SQRL kitchens at select stores." In addition, many products offered at SQRL stores are proprietary or locally sourced.

CEO of SQRL, Blake Smith adds that the industry has recently seen a major shift in food service offerings at convenience stores. Customers expect far more than hot dogs rotating on a roller grill. There is demand now for fresh, customizable, and healthy food options that are convenient for grab-and-go.

"At SQRL we have invested in expanding kitchen facilities and bringing on culinary talent. Food has moved from an afterthought to a competitive advantage," Smith says. "We have partnered with, and seen success, with several top quality food concepts including Loblolly Ice Cream, Thrive Coffee, and Krispy Chicken."

Paul Servais, food service zone leader at Kwik Trip, says the convenience store industry has evolved from cold sandwiches in a cooler door made by a third-party vendor to fresh cold and hot food made in store.

"Years ago, if a c-store had a serious food program it was a branded QSR or kiosk to give it creditability," Servais says. "Today, many of us have our proprietary programs with better quality food at a value price that beats the QSR."

Servais has been with Kwik Trip for almost 25 years and when he started with the company, their food service "program" basically included roller grills and donuts.

"Today we have a full family-restaurant style menu with breakfast sandwiches, burgers, chicken sandwiches, pizza, appetizers, and a fresh hand-breaded fried chicken program. Plus, we do rotisserie-style chicken and take home meals for the dinner daypart," Servais says. "The key to guests coming back is quality food at a value price, great guest service, and clean stores and restrooms. Without these three keys, don't bother getting into the food game."

Consumer Interests

It should come as no surprise that consumer interests in the type of food programs offered within the c-store environment has evolved as more attention is being paid to quick, delicious food options that are also good for you.

Michael Jaszczyk, CEO, GK Americas and chief digital transformation officer, GK Software SE, an omni-channel retail company, says in recent years, more and more folks have flocked to convenience stores in lieu of time-consuming grocery trips, seeking drinks, snacks, and ready-made meals. This shift is creating a new opportunity for retailers to foster experiential store journeys with food service options like coffee shops or restaurants.

"Today's shoppers are seeking convenience when it comes to limiting their time spent in the store," Jaszczyk says. "Flexible options, such as mobile ordering and pay-ahead, are key for c-stores to streamline the in-store experience, especially when it comes to food service."

In Salafia's experience, today's customers are asking for higher quality, more consistent offerings, and healthier options.

"Last year, truck drivers went on strike due to poor food options at truck stops. Many of them have celiac disease and are trapped on routes in food deserts with no gluten-free options available," he says.

SQRL is focused on delivering high-quality in-store service, especially regarding food. The company recently acquired a store on the east coast of Florida that's surrounded by a large Latin American demographic. Because of that, SQRL has a taqueria operating inside the c-store.

"We adapt to the hyperlocal demographics to meet the needs of the consumer," Salafia says.

In addition, Smith points out that today's consumers want tasty, high-quality food that they can quickly take away – sandwiches, pizza, salads, fruit, etc. They also want convenience stores to ▶

cater to dietary needs with items like gluten-free snacks. There is also demand for specialty beverages, from cold brew coffees to smoothies.

"Overall, people expect their c-store food to rival restaurants in product range, freshness, and flavor," Smith says.

Indeed, Kwik Trip is seeing customers requesting fresh, quality, customizable, ready when they get there, value-priced food options. "People are starved for time. Anything we can do to speed up their visit (grab n' go food, quick check out, etc.) is appreciated," Servais says. "And they want this 24 hours a day!"

So what are the biggest reasons c-store operators should bring their food service offerings to the next level? Quite simply, experts agree that operators must evolve their non-fuel retail (NFR) business models to survive long term.

"Excellent food brings in customers and drives repeat business," Smith says. A reputation for quality food service boosts brand loyalty. This also allows c-stores to compete with fast casual restaurants and appeal to a broader demographic beyond just fuel customers. What's more, food can build loyalty and increase basket size per trip.

"We have the adoption of EVs and alternative energy-powered vehicles. Food services are the low-hanging fruit, growing NFR profits," Salafia says. "Operators like Wawa and Casey's have proven that building a following around food service can lead to successful convenience stores. Hence, they are industry leaders in c-store profitability."

As Jaszczyk points out, according to recent data from Intouch Insight, there has been a 47% rise in c-store use since fall of 2021, with prepared food and groceries being the most popular purchases.

"As such, it's important for c-stores to bring their food service offerings to the next level to adapt to shifts in shopping behavior, enhance the customer experience and build long-lasting loyalty. Technology that supports mobile ordering is a vital resource to help retailers achieve this goal," Jaszczyk says.

Indeed, technology goes hand-in-hand with today's food service experience in the c-store space. As Jaszczyk explains, the core goal of the c-store is to provide convenience for consumers. In contrast to grocery stores, the c-store customer aims to be in and out of the store with efficiency. Mobile devices can help c-stores increase the speed and flexibility in which food orders are processed, from contactless pre-ordering to checkout to payments and modern payment options.

"These capabilities can be integrated with retailers' point-of-sale systems, giving them a way to connect with consumers in store and out," he says. "For example, a customer can order and pay for a meal from inside their car before they even arrive at the store. Then, once their order is ready, they can easily grab their food and go."

Furthermore, Servais points out that c-stores are updating their stores to be food centered. Bathrooms are being spruced up. Patios with seating are being put in.

"You see this all over. For us, our new 'generation three' stores are very food centered. The entire front of the store is dedicated to our food service, larger kitchen for our coworkers, etc.," Servais says. "It's pretty amazing to see this evolve!"

Facing Challenges

C-stores are stepping up food service by expanding kitchens, adding seating, partnering with well-known brands for food concepts, and leveraging technology like self-order kiosks. As Smith explains, many chains now feature baristas, expanded

roller grills, and customizable salads/sandwiches. Food has become a focal point and profit driver.

However, as with any evolution in product offerings within a retail environment, there are challenges that c-store operators are facing as it relates to food service. One of the biggest is the health regulations regarding food safety.

"Managing staff that also does food service, not just c-store cashiers and support staff can also be a challenge," Salafia says. In addition, space constraints in smaller, legacy stores can make adding expanded food options challenging. "Employee training is the most critical in my opinion," Smith says. "Inventory management and waste control are also crucial. Keeping quality consistent across all locations can be difficult as food offerings scale up. Significant upfront investment may be required."

Challenges aside, it is evident that food service will continue to be a huge component of the c-store experience, especially as more consumers jump on the proverbial EV bandwagon and will need to spend more time within the c-store location while their wait for their vehicle to charge.

Salafia says drive-throughs, retrofitting c-store buildings with small format kitchens, and collaborations with national QSR franchises are all part of the future of c-stores.

"Why would a developer build a new gas station c-store without a restaurant attached to it? The Dunkin' c-store attachments are a great example of brand collaboration. We will undoubtedly see more of this with new developments," Salafia says. However, retrofitting existing developments will be more challenging due to the parcel sizes during the original zonings.

As Salafia points out, many municipalities did not see the future, and put their towns' gas stations on ½ acre parcels, leaving very little space for future development. Also, the local municipalities must ease restrictions on permit drive-throughs.

"The number one reason we do not develop more drive-through c-stores is the heavy permitting process at the local government level," Salafia says.

Looking ahead, Smith envisions the quality and variety of c-store food continuing to rise to match consumer expectations. Catering to dietary preferences will be key. He also expects to see more integration of technology like self-order kiosks and mobile ordering apps. "Food will increasingly make people choose one c-store over another. Location and convenience will remain important differentiators," Smith says.

Moving forward, Jaszczyk says we will see an increase in c-stores offering food service options, especially as shoppers' desires for convenience continue to grow. "Particularly as delivery apps like Uber Eats and Grubhub remain popular with consumers, c-stores will not only need to enhance their menus as a whole but also ensure they have the right technology systems in place to keep up with this shifting demand today, and still be ready for whatever is next tomorrow," Jaszczyk says.

"When we became serious about food in 2002, it was us, Sheetz, Wawa, QT with their multiple roller grills, and Casey's pizza. Today all c-stores are at some level of offering a quality food program," Servais says. "I see this continuing for many years to come. A c-store provides guests something they cannot get anyplace else. You can get your fuel (or electricity as that evolves), any drink known to the world today, any snack, and quality hot food and fresh sandwiches. And you can do all this in three minutes or less. Try that at McDonald's." ★

Bridging the Divide Between Fuel Supply and Logistics: People, Process, and Technology

BY JOEL DAVIES, GRAVITATE

For organizations in the fuel industry, the push-and-pull between supply and logistics teams is well known. While both groups work towards the same ultimate goal – increase profitability by executing on the lowest laid-in cost – the complexities of achieving that objective can introduce significant tension.

Supply teams welcome complexity; a more complex plan can take advantage of more opportunities. They operate in a world of arbitrage, taking advantage of price variations between different markets by sourcing fuel from different suppliers at different locations. Supply aims to benefit from market inefficiencies to maximize profit and minimize cost.

While the supply team focuses on what is optimal, the logistics team deals with what is possible. For them, simpler is better. Logistics must execute on the supply team's strategy, even if that strategy doesn't take logistical constraints into consideration. Their world is tactical: how many drivers and trucks are available? How long are wait times? Will the site run out of fuel before the truck can get there? Even if it makes sense on paper to drive farther for a cheaper price, do the realities play out?

Compounding the gap between supply and logistics is when logistics is outsourced to a common carrier. Common carriers can find themselves between a rock and a hard place, being measured on whether a site runs out of fuel while being asked to drive inconvenient and sometimes impossible distances to get the best price – all while only getting paid on loaded miles.

To achieve their ultimate shared goal – profitability – supply and logistics teams must stop playing tug-of-war and start working together. To do so, both teams must shift their mindsets from "us vs. them" to a unified party working towards the same objective. A major solution to help with this? Operating on a shared platform.

A shared technology platform breaks down the walls between supply and logistics by integrating their plans and data. It


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increases visibility on both sides, so supply can see and incorporate logistical constraints into their plans and logistics can view and understand supply strategies in order to better execute them. With a single pane of glass, a shared platform acts as a single source of truth, so supply and logistics teams can work together to make smarter, more effective decisions.

For example, leading dispatch solutions provide real-time best buy data to inform teams of their best options at any given time. Both supply and logistics can see each terminal or refinery within a set radius and collaborate on the optimal choice. Further, best buy engines can integrate with forecasting tools down to the order level to reduce retains and runouts.

Shared dispatch solutions enable supply teams to work more dynamically through real-time calculations integrated into the logistics. Instead of pushing out a static spreadsheet, supply gains instant visibility into the laid-in price of their plans, incorporating the logistics constraints so they can set strategies with variability built in. A mutual communication platform streamlines operations as well. Logistics can communicate with supply in real-time to make changes to the strategy on the fly and take advantage of opportunities while navigating constraints.

In addition, the benefits of a shared platform extend beyond "right now" and into the future. With a common set of historical data, both teams can run analysis on what's working and what's not. They can track missed opportunities, capture why the breakdown occurred, and understand how much money was left on the table. With these insights, the teams can understand trends and make better decisions moving forward: increase the number of trucks, add more drivers, grow the number of suppliers, etc. The shared platform enables the teams to quantify issues and figure out how to fix them.

Finally, a shared dispatch solution underpins and supports a unified mindset, allowing for more feedback, understanding, and the ability to speak the same language. It sets the stage for creative problem solving and shared goals, metrics, and rewards. It engenders an agreed-upon version of what success looks like so both teams can be compensated fairly and accordingly.

While supply and logistics teams may always have different perspectives, a shared technology platform can change the dynamic from winners vs. losers to a healthy tension that benefits everyone. ★

10 Practical Steps to Prepare for the Energy Transition

BY BETHANY ALLEE, PDI TECHNOLOGIES

By now, everyone knows the transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs)is coming, but the big question is…how soon? The other big question is how can you prepare your business without overcommitting yourself financially?

All evidence indicates that we're in the early stages of the transition in the United States. We've seen a continued ramp-up of EV purchases in the U.S., along with growing consumer interest in the topic of sustainability.

Together, these two factors will play a vital role in influencing investments over the next few years. Your opportunity will lie in knowing how and when you can gain a competitive advantage by integrating more sustainable practices into your business.

Steadily Rising Consumer Interest in Sustainability

According to the PDI Business of Sustainability Index survey of more than 1,000 U.S. consumers, today's shoppers want to work with sustainable businesses, and they're willing to pay more for sustainable products and services.

In fact, 74% of U.S. consumers say they care about the environmental impact of the products they buy. That alone should make sustainability a priority for fuel marketers and chain retailers, along with consumer-packaged goods (CPG) brands. Nearly 70% of consumers are now willing to pay more for eco-conscious products and services—up from 64% in 2021. More importantly, the growing willingness to pay more crosses socioeconomic, generational, and geographical boundaries.

Growing Demand for EVs

Consumer demand for EVs is also steadily rising—as is the need for easily accessible EV charging stations. As noted on the PDI EV Hub, a new resource for helping you navigate e-mobility and the energy transition:

- Annual EV sales in the United States are on track to surpass one million for the first time.
- Although the United States still lags Europe and China in overall share of new EV sales, the U.S. experienced 70% sales growth from 2022 to 2023.
- By the mid-2040s, EVs are projected to surpass 50% of the vehicles in use. ▶

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UPCOMING EVENTS!

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- Maintenance and Environmental Share Group
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SIGMA Share Groups – San Antonio, TX
- Credit Share Group
- Fuel Buying Share Group
- IT Share Group

OCTOBER

October 23 – 26, 2023

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Foodservice & Retail Marketing Meeting
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MAY

May 6-8

SIGMA Spring Conference
Omni Barton Creek Resort and Spa
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An Uncertain Timeline

Although all signs point to the energy transition accelerating, the timeline of when you need to act is still uncertain. Two key factors that will greatly determine that timeline are the pace of technology innovation and the level of convenience that consumers demand.

Both factors will depend on advancements in EV battery capacity (mileage range) and battery charging speeds. Right now, the sheer lack of public charging infrastructure is a clear roadblock to EV adoption. In fact, industry projections call for 30 million charging ports needed globally by 2040, with nearly 5 million required in the United States alone.

This current void presents a significant business opportunity for fuel marketers and chain retailers to become the go-to spot for EV charging, just as they are for fuel-ups.

How to Serve a "Mixed Fleet" of Drivers

So, does that mean you should start investing in EV charging stations today? That depends. Your first consideration for moving forward with a sustainable EV strategy is to understand your local market requirements and your potential ROI.

Although the ramp-up of EVs is clearly underway, we can expect to see an equal number of ICE vehicles in use for the foreseeable future. As a result, you should be prepared to support a "mixed fleet" of ICE and EV drivers.

That means making sure you have ample space (and easy access) for both fuel pumps and charging stations. It also means that you have a good reason to re-evaluate your customer experience and how longer "full-service" EV charging could add value to each store visit.

For instance, could you deliver food to waiting customers or provide cleaning/detailing services for EVs that are being charged? Could you incentivize store visits by delivering charge-based loyalty rewards, fresh foodservice offerings, clean bathrooms, in-store seating, or unique (and higher-margin) merchandise?

10 Steps to Prepare Your Business

Even if the transition timeline is still a bit up in the air, one thing is clear. Your approach to sustainability will be as unique as your business, based on the insight you collect about consumer preferences in your area of operations.

In the meantime, here are five steps to stay ahead of the sustainability curve:

1. Take a leadership role by acting before your competitors force you to act.
2. Define a holistic sustainability strategy, even if you move incrementally.
3. Once you commit, keep going—sustainability is a long-term investment.
4. Engage directly with consumers to promote your efforts and earn their trust.
5. Validate your efforts by working with independent third parties to build credibility.

And here are five practical steps to prepare for the transition to EVs:

1. Start reviewing your physical infrastructure, even if you're not ready to install EV charging stations today.
2. Familiarize yourself with your local zoning and permitting requirements.
3. Find out whether your local power grid will support EV charging stations.
4. Track the number of EVs in your area to evaluate your market opportunity.
5. Make sure you have the physical outdoor space to simultaneously support fuel pumps and EV charging stations. ★

Bethany Allee is Senior Vice President of Marketing at PDI Technologies. Connect with her on LinkedIn.

THE POTENTIAL IMPACT OF EVS ON THE PETROLEUM INDUSTRY

BY MAURA KELLER

Electric vehicles currently account for less than 1% of the 250 million vehicles, SUVs, and light duty trucks in the United States. Optimistic assessment estimates that by 2025, the growth of adoption of EVs should rise to approximately 10%, 30% by 2030, and hit over 50% by 2050. But do current trends support these expectations and what is the expected impact of EVs on the petroleum industry both now and in the future?

Jackson Haskell is the director of EV infrastructure at Guardian Fueling Technologies, a 700-person gas station and private fueling integrator in the Southeast that provides solutions for gas stations, fleets, and commercial properties. Haskell's role at Guardian is to help their customers navigate this challenging transition to EVs.

According to Haskell, right now, the number of EVs is sitting at about 1% of cars on the road and 8% of new car sales. Electric passenger trucks, vans, and commercial vehicles are less than .25% of vehicles on the road.

"We have a long way to go, but these adoption curves are accelerating and are poised to grow significantly in the next 18 months with fleet electrification mandates and emissions limits, let alone consumer adoption," Haskell says.

At a high level, Haskell says the change to EV technology is coming fast enough that smaller retail gas operators will have to make significant investments in "new fuel" infrastructure, or risk a gradual, then sudden, decline in traffic.

"Given the relatively low rate of EVs on the road, paired with the complexity of electric vehicle infrastructure and associated grants/incentives, it's tempting for brands to 'sit this out,'" Haskell says. "There is likely to be a long, profitable tail for petroleum fueling, but those that wait to at least pilot EV charging are likely to lose out on funding, education, and market share."

That's why it is suggested that operators (and their upstream partners) balance early investment with a gradual (and permanent) loss of business, starting with consumer vehicles, but quickly accelerating to fleet and commercial fueling customers.

"Most importantly, the current grants, incentives, tax credits, and other funding is likely to be a one-time event, leaving late-adopters to purchase both electric vehicle charging stations and the associated expensive electrical infrastructure upgrades out of pocket," Haskell says. In some cases, additional power will be unavailable for up to 10 years, so being early in line with the electric utility is critical."

However, Joe Powell, Ph.D., founding executive director at the University of Houston Energy Transition Institute and professor, William A. Brookshire Department of Chemical and Biomolecular Engineering, points out that EV adoption

in the U.S. market has been lagging targets set by the Biden Administration for transportation sector decarbonization.

"Vehicles are expensive and have mostly targeted the high-end market, and sales have slowed after an initial uptake of demand for the high-end sector," Powell says. "A totally different situation exists in China however, where EV sales outpace internal combustion engine vehicles, which now have poor resale value.

Given the huge EV demand in China and significant demand in Europe, global gasoline demand will ultimately diminish. Powell says the speed and extent will depend on how much of the growing demand for transportation in the developing world (India, Africa) will be supplied by internal combustion engine (ICE) vehicles versus EVs, for the energy transition through 2050.

"Consumers in the developing world are more concerned about energy and vehicle costs and access to energy, than climate change and environmental concerns," Powell says. "How fast EVs take over large evolving markets in the developing world from ICEs and how fast low-cost renewable power is deployed versus tradeable oil and gasoline, determine this pricing."

An Evolving Situation

Irina Tsukerman, business and geopolitical analyst, president of Scarab Rising, Inc., a media and security strategic advisory, and program vice chair of the American Bar Association's Oil and Gas Committee, says that currently, there are only around 17 million new cars built each year, and the overwhelming majority are conventional gas-based vehicles.

Tsukerman points out that with the outbreak of the war in Ukraine and related supply chain disruptions, millions of EVs have been taken out of production, in part due to the need to relocate production out of Ukraine to other parts of Europe; in part due to shortage of raw materials; and in part due to the expenses – with more Americans opting for older cars or keeping their existing cars rather than investing into new vehicles. Moreover, GM has recently and rather quietly invested approximately $4 billion into the production of internal combustion engines despite a previous commitment to go all in for EV production, which indicates that the industry trend is far more conservative than the projections of the EV enthusiasts. "It seems that the rate of gas-based vehicles may be far slower than predicted," Tsukerman says.

Regardless of these changing trends, retail gas operators will be forced to (almost prematurely) to adopt EV charging stations and make significant investments.

As Haskell explains, retail gas stations that do smartly embrace EV charging pilots, incorporating federal, state, and utility funding up to 80% of project costs, will likely be able to see a return on that investment, but only if they combine the margin on the electricity (kWh) sold with in-store attachments and possibly fast casual food sales.

"An 80% charge, even on a DC fast charger can take 20+ minutes, and c-stores generally have built their shopping experience around a three-minute fill-up. Can c-stores do something transactionally valuable with the 10x in customer dwell time on site?" Haskell says.

Powell says that EVs will certainly decrease U.S. and global demand for gasoline, which is for the light duty vehicle sector. The U.S. roadmap calls for complete electrification of all passenger cars. According to a 2021 Congressional report, transportation accounts for 38% of U.S. CO_2 emissions, and passenger cars are responsible for 58% of the emissions from that sector.

"The refining and petrochemicals industry will shift to producing more chemicals and less gasoline, from a given barrel of oil, requiring modification of technology and how refining and petrochemical processes are operated," Powell says.

Powell adds that retail stations will have to adapt to add EV chargers, which take up much more land space due to recharge times of 20 minutes for an EV car, and up to two hours for a heavy-duty truck.

"Trucks can be refueled with hydrogen, which can be used to drive electric motors in a fuel cell electric vehicle, and hence some trucks will be converted over to hydrogen fuel cell vehicles, if the economics of production and distribution at scale can be made low enough," Howell says. "So future truck stops may retain some gasoline and diesel – including biodiesel which is in limited supply – refueling, plus EV charging for cars and trucks, and some H2 refueling, mainly for trucks."

Steps to Take

The most critical advice that Haskell gives a fuel retailer is to take low-risk steps in the direction of a multi-fuel future. Very few have even had a site-assessment (usually free) or a feasibility study (~$10,000) for their property. Many also have never spoken to their commercial account manager at their electric utility.

That's why Haskell recommends gas retailers work with their integrator partners during construction or other projects to bring a lot more power from the utility, in higher voltages (DCFC stations require 480V electricity in significant amounts). The power needed to run a pilot (one) EV charger is likely as much as the rest of the building, pumps, and other power on site combined. A NEVI (National Electric Vehicle Infrastructure) compliant site is likely to use 10-50x that much.

In addition to more power, running conduit to likely charger locations is a great low-cost second step. From there, the property can elect to dip a toe in electrification or jump in with both feet, taking advantage of early grants and incentives in the process.
"The real winners will be those that walked this line of early, noncommittal site preparation well," Haskell says.

That said, Haskell is not suggesting any significant reduction in gallons sold at the pump, at least not for a decade or two. Demand for hydrocarbon fuels is likely to grow alongside demand for ▶

electricity sold, at least until major transporters electrify enmasse. "I suspect that until regulations specific to the sale of gas (like Petaluma, CA's ban on new gas stations) materialize, the adoption of EVs by consumers and fleets is likely to have a minimal impact on the sale of gallons of gas," Haskell says. "What is likely is that the early birds will get a number of worms."

This includes hundreds of thousands of dollars of incentives per site; experience serving EV customers who are (for now) more affluent and have more time to kill on site; the ability to capture the available local power from the utility, leaving nearby competitors to pay the utility millions of dollars for new substations and delivery lines; clean-tech clout, which will be less valuable over time as more companies announce green initiatives; a head start in the case that major regulation impacts gas retailers, as it is about to for fleet operators and other transportation companies; and meeting emissions targets.

Impact of Ongoing Challenges

Powell points out that EVs often result in range anxiety which gets worse in cold weather. There also are not enough refueling stations and refueling takes a longer time, so EVs are best used by those who can charge overnight in their garages. But many consumers, especially in urban areas, do not have single-family homes with a garage.

"Currently the total cost of ownership of EVs can be higher than for combustion engine vehicles because of the high initial vehicle cost, and hence a subsidy is needed, especially for the low-end price range of the market," Howell says.

Maintenance costs can be reduced because an electric engine is simpler, and should require less maintenance. However, battery life is a concern: EV battery replacement is expensive and value of a car after a 10-year life can be a concern, as the battery may have to be replaced.

"There also is a concern as to whether there are enough critical minerals and materials to mass produce EV vehicles especially with the large size battery needed for U.S. markets and service cycles vs. the more densely concentrated EU," Powell says. "Opinions differ on how much the easy availability of critical minerals such as cobalt and lithium may impact the ability to drive down prices for mass scale production."

Tsukerman believes the projections for wider adoption of EVs are being too optimistic due to the number of challenges to overcome including: prices and costs of maintenance, shortage of charging stations, the length of time it takes for cars to fully charge, weather-related impact, assorted security vulnerabilities (such as proneness to explosions), the government cutting back on some of the subsidies, the environmental and human rights impact of raw material mining, and other factors that are serious downsides for most consumers.

"Another fact disfavoring faster and greater adoption of the EVs is the issue with the electric grids," Tsukerman says. "In California, the grid is already overburdened, and blackouts have become part of the norm in the summer. Greater percentage of EVs among the population would mean having to overhaul the system to adjust for the electricity needed."

Tsukerman says getting to the level where the gasoline companies are seriously impacted by the changes will take decades, given that electrification may be an expensive and inefficient process, all other above-described concerns and challenges aside.

"The overwhelming number of countries in the world have far lower income per capita than the U.S.; EVs – even cheaper Chinese and Moroccan versions – will be out of reach for most people for far longer than for Americans. Additionally, U.S. carmaker Ford expects 40% of its global sales to be captured by battery-electric vehicles by 2030. So far there is no evidence that it is anywhere near the real trend.," Tsukerman says. "The gas producers can rest confident in their dominance for years to come." ★


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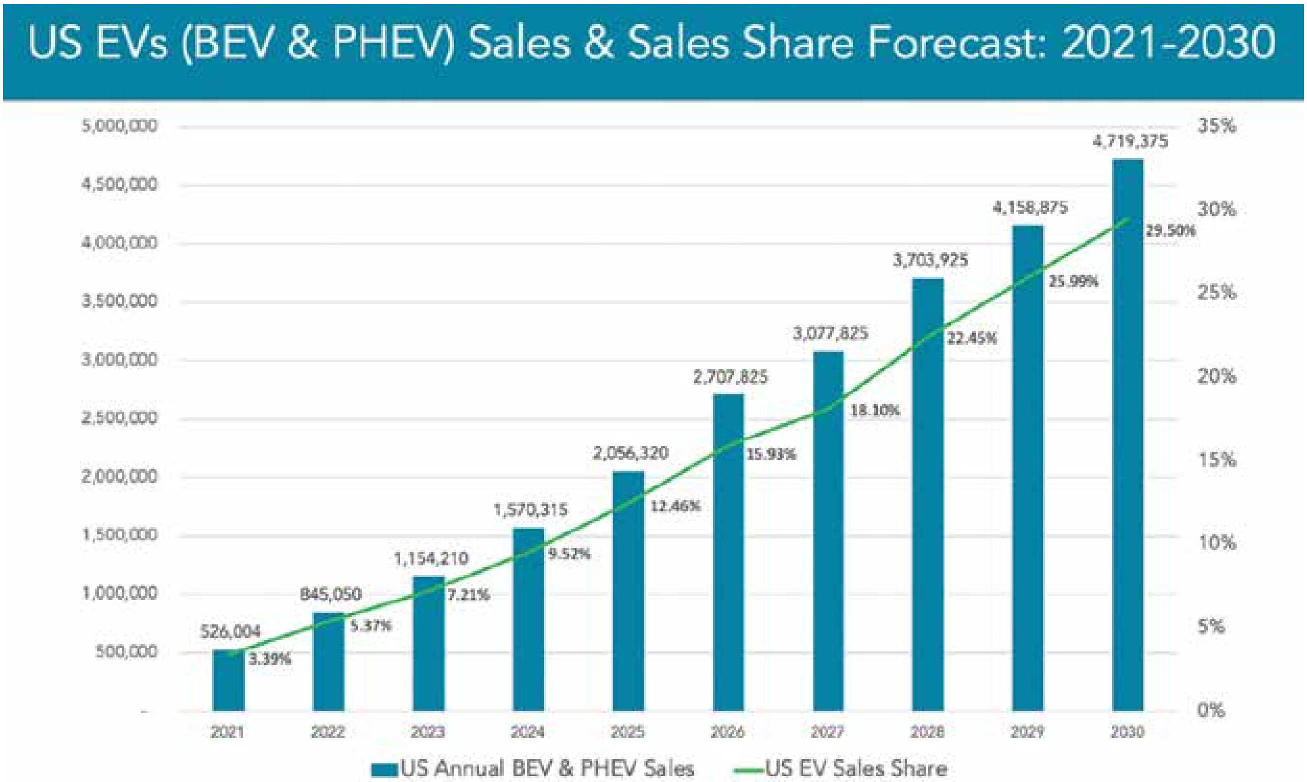
The Squeeze on California Gasoline Marketers and the RIN Cliff

BY BRIAN L. MILNE, DTN EDITOR, ANALYST



The Los Angeles Times reported in early August that one in four vehicles sold in California during the second quarter were electric vehicles, while the state's administrative body is openly hostile to the internal combustion engine, wanting to ban sales of new vehicles with gasoline-powered engines by 2035.

According to the article, cumulative electric vehicle sales in the state through April reached 1.5 million, with the California Energy Commission reporting 223,298 light-duty zero-emission vehicle sales during the first half of 2023. Cumulative sales of light-duty ZEVs in the state, which include battery electric, plug-in hybrid electric, and fuel cell electric vehicles, totaled 1,623,211 at the end of the second quarter, according to CEC.

Statista, noting California is the most populated state in the United States, said there were approximately 31.4 million vehicles in California in 2021, with 14.3 million automobiles and 15.9 million private and commercial trucks. Loren McDonald with EVAdoption estimated about four out of 100 vehicles on the road in California in September 2022 were EVs and projected that ratio would increase to 36.5% in 2035. McDonald calculates that there will be nearly 24 million gasoline-powered vehicles in California in 2035.

In concert with growing EV sales has been an aggressive transition to renewable diesel along the West Coast that is rapidly reducing demand for petroleum-based diesel fuel. The Energy Information Administration (EIA) said nearly all the renewable diesel produced in the United States is consumed in California, with the remaining volume going to Oregon and Washington. EIA data shows consumption of traditional distillate fuel along the West Coast in 2022 was the lowest since 2002, with the growing share of renewable diesel spurred by California's Low Carbon Fuel Standard and Clean Fuel Programs in Oregon and Washington.

Demand for renewable diesel is outpacing biodiesel, notes EIA, pointing to its "drop-in" advantage. Renewable diesel, which is produced from fats, oils, or greases, is chemically identical to petroleum-based diesel. Although biodiesel is made from the ▶

same feedstocks, the FOGs, it is blended with distillate fuel in concentrations of 20% or less because it is chemically different than petroleum distillate.

The production process also differs, with biodiesel produced through transesterification, which converts FOG feedstock through its reaction with alcohols and catalysts. Biodiesel produced in this manner is called FAME, an acronym for Fatty Acid Methyl Ester.

The production process for renewable diesel compares more closely to that of oil refining, with feedstock hydrotreated, leading to the finished product also being called hydrotreated vegetable oil or green diesel. Like oil refining, the feedstock is heated under pressure with hydrogen, with water then separated before moving into a distillation tower.

"Consequently, renewable diesel production facilities are increasingly converted parts of crude oil refineries or complete conversions of refineries. Some are entirely new refinery facilities," explains Maria Gerveni and Scott Irwin with the University of Illinois and Todd Hubbs with the U.S. Department of Agriculture, in their Feb. 8 farmdoc daily report, "Biodiesel and Renewable Diesel: What's the Difference?"

In releasing second quarter earnings in early August, Phillips 66 Company said it expects to begin commercial operations of its Rodeo Renewed refinery project in San Francisco in the first quarter 2024, adding that it will be one of the world's largest renewable fuels facilities. This is a complete conversion of an oil refinery, which was two facilities linked together by pipeline called the San Francisco Refinery. The Santa Maria facility, located 200 miles south of San Francisco in Arroyo Grande, produced intermediate refined products shipped to the Rodeo refinery in the San Francisco Bay. Operations at the refinery, which had a 9,500-bpd crude oil distillation capacity, ended in February. The Rodeo refinery at one time had a crude oil distillation capacity of 120,200 bpd. Once the transformation is completed, it will no longer process crude oil. Instead, the refinery will process FOG feedstock with a renewable fuel production capacity of a little more than 50,000 bpd, or 800 million gallons per year. The renewables will include renewable diesel, renewable gasoline, and sustainable aviation fuel.

Under the title, "U.S. Renewable Diesel Fuel and Other Biofuels Plant Production Capacity as of January 1, 2023," EIA reports 3 billion gallons of annual production capacity, with 370 million gallons situated along the West Coast in PADD 5. The West Coast total, 70% situated in California, includes 180 million gallons for the Rodeo facility, with a hydrotreater feedstock flexibility project reaching 120-million gallon per year in renewable diesel production in July 2021. Nameplate renewable diesel production capacity in the United States is projected to grow to 4.1 billion gallons by the end of 2023, and to 5.5 billion gallons in 2024 by farmdoc daily authors Gerveni, Irwin, and Hobbs in March, citing multiple sources in deriving their outlook. The authors strongly cautioned that such a projection was dependent on market conditions, and in previous reports noted the dependency on government policy in driving demand.

In early July with the release of its Short-term Energy Outlook, EIA reduced expected domestic production of renewable diesel for 2024 by 252,000 gallons per day or 2.8% to 9.198 million gallons per day following the Environmental Protection Agency's June 21 final rule for 2023 through 2025 volume requirements under the Renewable Fuel Standard.

EPA set the volume mandate for biomass-based diesel under the RFS at 2.82 billion gallons for 2023, 3.04 billion gallons for 2024, and 3.35 billion gallons for 2025. As noted, annual renewable diesel production capacity began 2023 at 3 billion gallons, while U.S. biodiesel plant capacity was 2.086 billion gallons.

"Prior to this month's STEO, we assumed that some of the announced capacity additions for renewable diesel would not be completed because of the possibility of increased feedstock costs or decreased credit values. In response to the final RFS rule, we now assume lower plant utilizations and more proposed plants to be canceled than we did previously," said EIA.

Speculation as to why the final rule for biomass-based diesel volume requirements were set below production capacity, undermining the incentive to expand demand above the mandate, was to avoid pushing food prices and inflation higher. Yet, by setting the demand mandate below production capacity, D4 RIN prices will come under pressure since there is no incentive to expand supply. This scenario will, theoretically, lead to a collapse in D4 RIN prices.

"When this condition is violated, our analysis indicates that the consequences for [biomass-based diesel] and RIN prices would be dramatic," explains Gerveni, Irwin, and Hobbs. "The D4 biodiesel RIN price is predicted to fall to zero because no additional incentive beyond the competitive market price is needed to incentivize [biomass-based diesel] production. Literally, the D4 RIN price falls off a cliff." ▶

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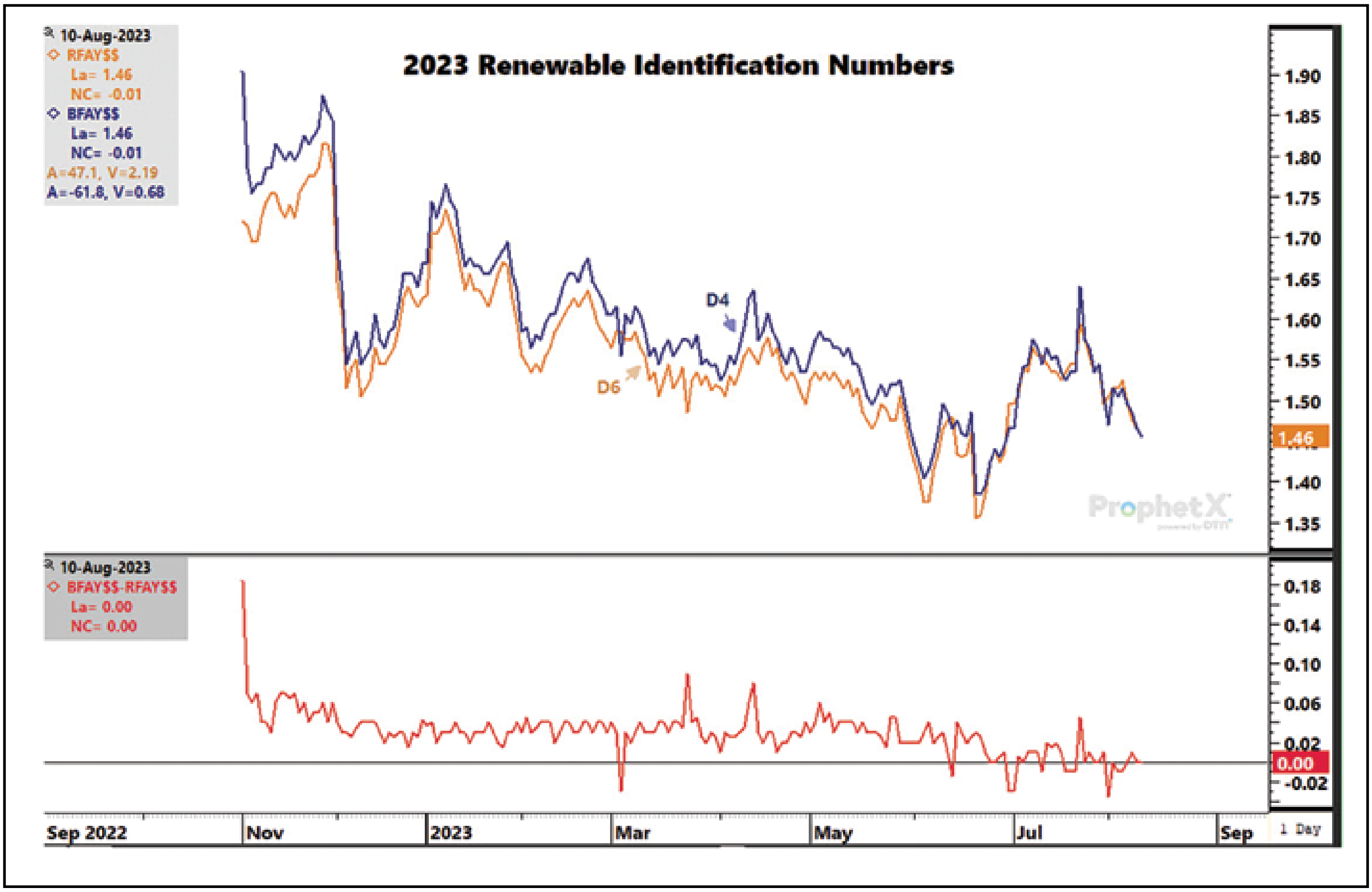

Biomass-based diesel is considered the marginal gallon since there is not enough production of advanced biofuels, and ethanol demand falls short of reaching its volume mandate because of blending level restrictions, which is why D5 and D6 RIN prices have closely tracked D4 RIN prices.

"Because [biomass-based diesel] plays the role of the marginal gallon for filling advanced undifferentiated and conventional mandates, the price of D5 and D6 RINs would also fall off a cliff," said Gerveni, Irwin, and Hobbs.

Such a scenario would almost certainly force lower plant run rates and plant closures that would eventually return the subsidized market to balance. "However, the duration and volatility of this adjustment process is hard to predict," explain the farmdoc daily authors. ★

Brian L. Milne is a 27-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).

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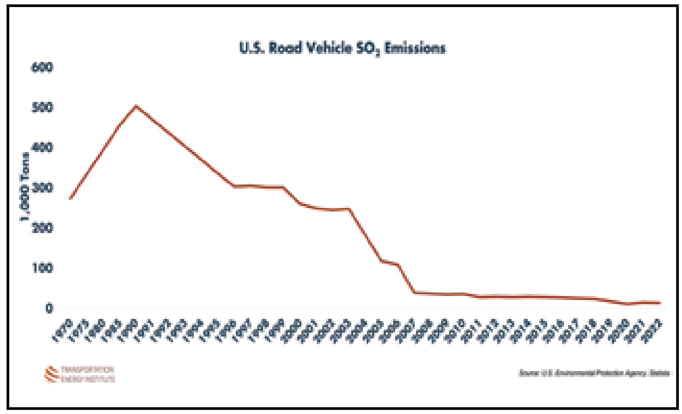
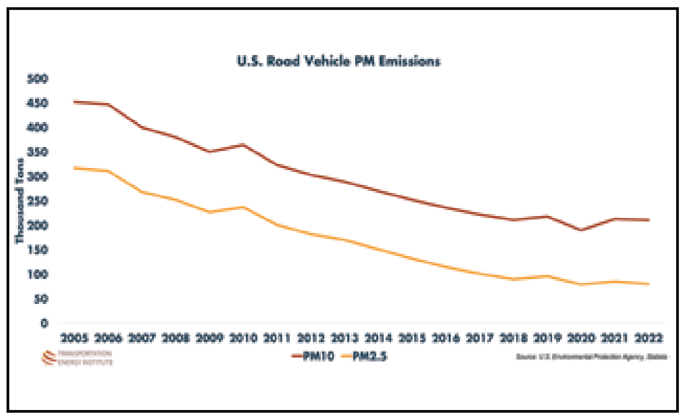
One Focus is Not Enough

BY JOHN EICHBERGER, TRANSPORTATION ENERGY INSTITUTE

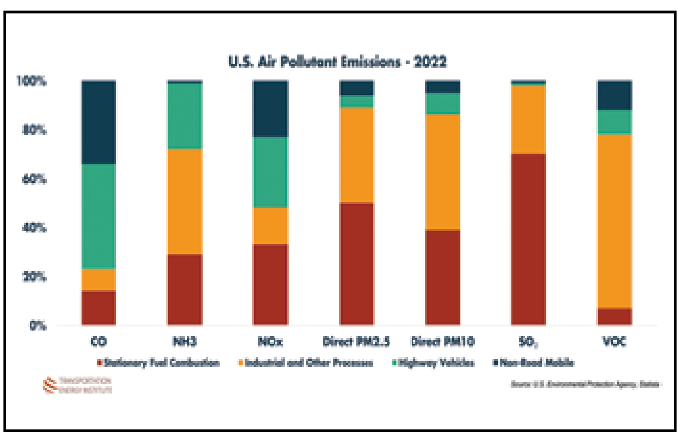
The current prevailing issue influencing policies and market strategies relative to the transportation energy sector is reducing carbon emissions. And while this is a critical issue, it is dangerous to think it should be the only consideration. We must expand our perspective and ensure we are attentive to reducing other transportation-related emissions while ensuring that viable solutions preserve access to affordable and reliable transportation energy for all communities. Fortunately, when we start to review current data it is clear that significant progress has already been made in reducing criteria emissions at the tailpipe. Let's take a look at current trends in such emissions from the transportation sector and begin expanding the evaluation beyond the tailpipe to consider the full lifecycle emissions of the transportation sector.

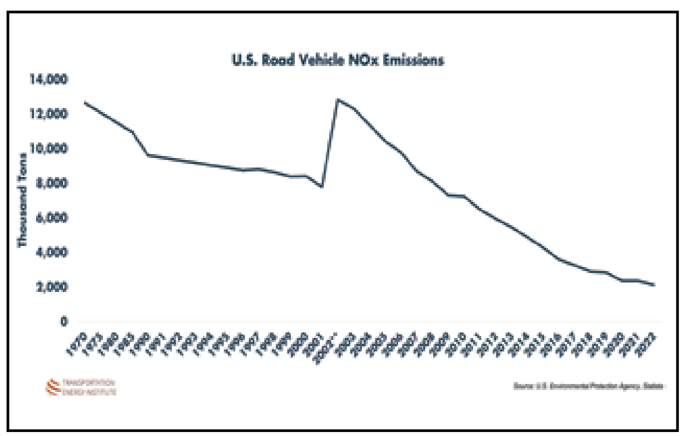




Criteria Pollutant Emissions Over Time

The follow chart presents a high level of summary of contributing sources of key pollutants. This data, sourced from the U.S. Environmental Protection Agency, shows that on-highway transportation is the leading source of emissions for only carbon monoxide. It remains a significant contributor of ammonia (NH3) and nitrogen oxides (NOx), but with regards to other sources it is relatively negligible compared with other emissions sources – industrial activities and stationary fuel consumption are much more impactful than transportation for most pollutants.





When we look at each key pollutant over time, we can see significant progress in emissions reductions. With regards to sulfur dioxide, clearly EPA regulations reducing the sulfur content of fuel have had a major positive impact on the sector, with transportation SO2 emissions having dropped to very low levels since 2007. Meanwhile, transportation particulate matter and NOx emissions have also demonstrated consistent reductions over time.

With the above achieved reductions, the United States has largely attained the air quality standards set out in the regulations. Our summer 2023 publication, "Decarbonizing Combustion Vehicles – A Portfolio Approach to GHG Reductions," includes some analysis of criteria pollutants. (This report was funded exclusively by SIGMA's Fuel Foundation.) According to EPA, we are largely in attainment with air quality objectives. ▶

TABLE 3. AIR QUALITY TRENDS RELATED TO TRANSPORTATION CRITERION POLLUTANTS

POLLUTANT	MEAN ATMOSPHERIC CONCENTRATION	PROGRESS TO DATE	NATIONAL STATUS
Carbon Monoxide (CO)	1.2 ppm	87% decrease since 1980	Below National Standard
Ozone	0.067 ppm	29% decrease since 1980	85% of Nation Below National Standard
Lead	0.03 µg/m³	85% decrease since 1980	Below National Standard
Nitrogen Oxides (NOx)	40.3 ppb	64% decrease since 1980	Below National Standard
Particulate Matter (PM_{10})	59.9 µg/m³	32% decrease since 1990	Below National Standard
Particulate Matter ($PM_{2.5}$)	8.5 µg/m³	37% decrease since 2000	Below National Standard
Sulfur Oxides (SOx)	10.8 ppb	94% decrease since 1980	Below National Standard

Source: National Air Quality: Status and Trends of Key Air Pollutants | EPA

Particulate Matter and NOx

Among the most critical emissions affecting public health are particulate matter (PM) and NOx. As is presented in the following charts taken from that report, nearly all modes of transportation have reduced NOx and PM emissions 85-90% since 2000 and are projected to go down even further by 2030.

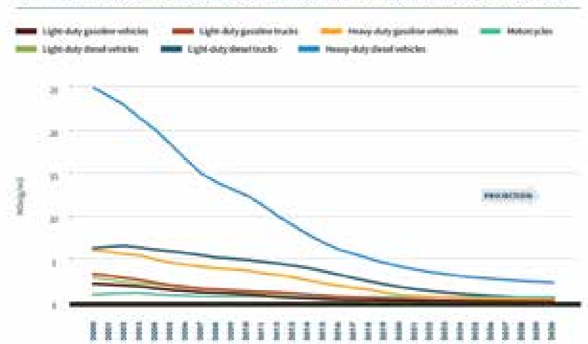


FIGURE 15. ESTIMATED NATIONAL AVERAGE NOx EMISSIONS RATES PER VEHICLE USING GASOLINE AND DIESEL

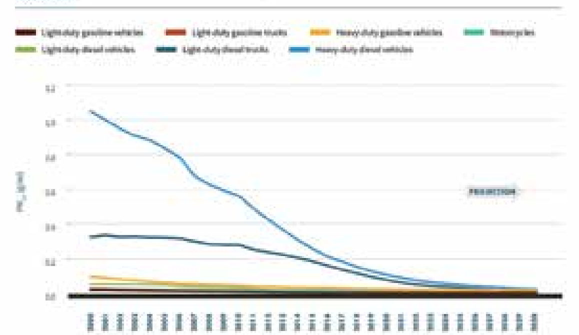
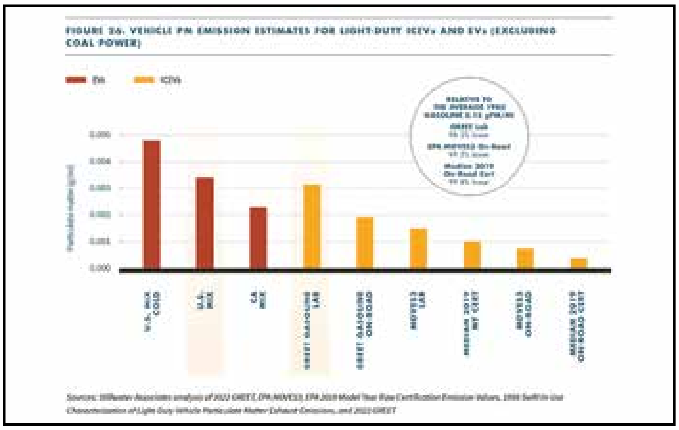


FIGURE 16. ESTIMATED NATIONAL AVERAGE $PM_{2.5}$ EMISSIONS RATES PER VEHICLE USING GASOLINE AND DIESEL

While transportation is not the primary source of PM emissions (accounting for only 5% of PM emissions), PM does have a significant effect on human health and deserves special attention. And if we expand our notion of transportation emissions into the pollutant lifecycle realm, we can begin to better assess upstream power generation, farmland/biofuel practices, and oil field inputs. Our combustion vehicle study looked at emissions from different vehicle and fuel combinations. The following comes directly from the report (Pages 63-67):

> PM pollution poses significant health threats, especially to children and the elderly. EPA estimates that mobile sources (i.e., vehicles) represent less than 5% of PM emissions; the vast majority of PM emissions (73%) result from fires, dust, and agriculture.
>
> According to GREET well-to-wheel (WTW) emission values, today's gasoline and diesel vehicles' tailpipe PM emissions are 98.3-100.3% lower than the average 1980 gasoline car, and 97.3-99.4% lower on a WTW basis. Comparing EVs charged using the average U.S. mix electricity to the range of modern gasoline and diesel PM emissions, there is less than a 3% difference between any light-duty vehicle options.
>
> Figure 26 shows the GREET PM emission comparisons alongside other emission estimates for various vehicles and fuels. The most commonly used fuels are highlighted. The emissions analysis shows that when including power plant emissions, EVs have slightly higher PM emissions than estimates for gasoline and diesel PM vehicle levels used by EPA MOVES3 emission inventory and EPA 2019 model year vehicle certification laboratory (Median 2019 MY Cert bar in the figure) and on-road (Median OnRoad Cert bar in the figure) emission values. The EPA MOVES3 emission inventory estimates the gasoline vehicles' PM value using laboratory clean air; this value is 55% lower than EVs charged by U.S. mix. Adjusting EPA data for on-road air pollution, the EPA MOVES3 value becomes 79% lower than EVs charged using U.S. mix electricity. As

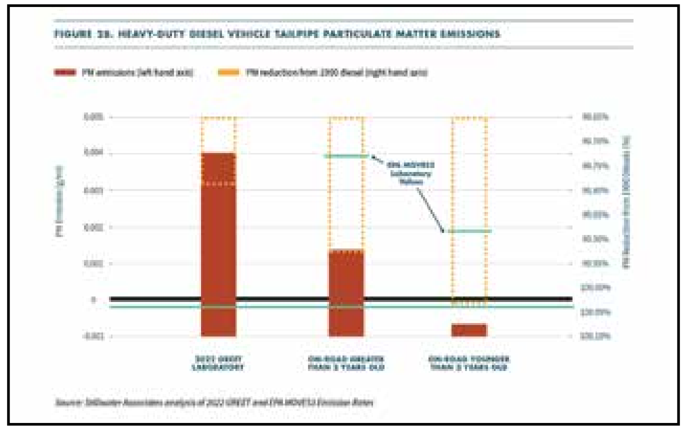
can be seen in Figure 26, the full range of credible vehicle emission estimates shows that ICEV PM emissions are equivalent to or below that of EVs, and all are near zero.

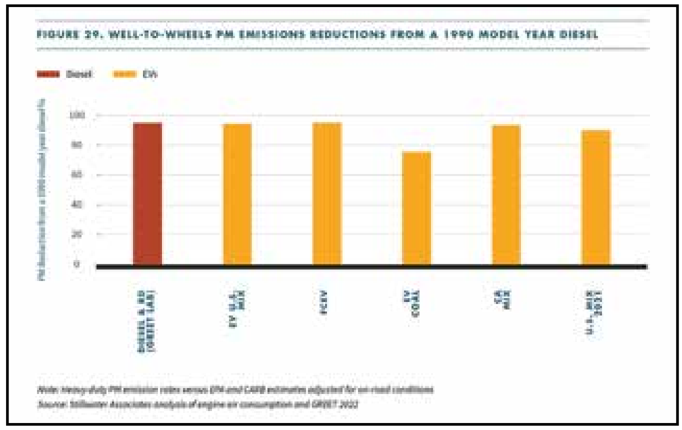


The study also addressed PM emissions from the heavy-duty vehicle sector as follows:

Heavy-duty diesel tailpipe exhaust PM emissions have declined 99.8% versus 1990 models according to laboratory tests reported in EPA MOVES3 and CARB EMFAC emission inventories. Figure 28 shows the diesel tailpipe emissions using GREET WTW and EPA MOVES3 laboratory emission rates with adjustment for onroad air pollution consumption. The graph shows newer diesel vehicles with emissions below zero due to the diesel engine's air pollution consumption and cleanup by its emission controls. With on-road air pollution consumption and cleanup, diesel PM emissions are 99.93% and 100.03% lower than 1990 diesel levels.

Figure 29 expands the view of emissions from tailpipe only (as displayed in Figure 28) to show the WTW emissions reductions from a 1990 model year diesel for several options. A WTW analysis evaluates the PM emissions from fuel extraction, refining or electrical production, and vehicle use emissions. Vehicle PM emissions reductions are nearly equal between EVs and diesels—all are 99.97% or higher. On a WTW basis, diesel-fueled ICEVs reduce PM emissions 94.9-100% and EVs reduce PM emissions 90-94% from a 1990 diesel PM level on a WTW basis, biofueled and petroleum-fueled diesel ICEVs provide greater PM reductions than their battery EV counterparts charged using the U.S. grid mix, and the diesel ICEVs match FCEVs on PM emissions reductions.

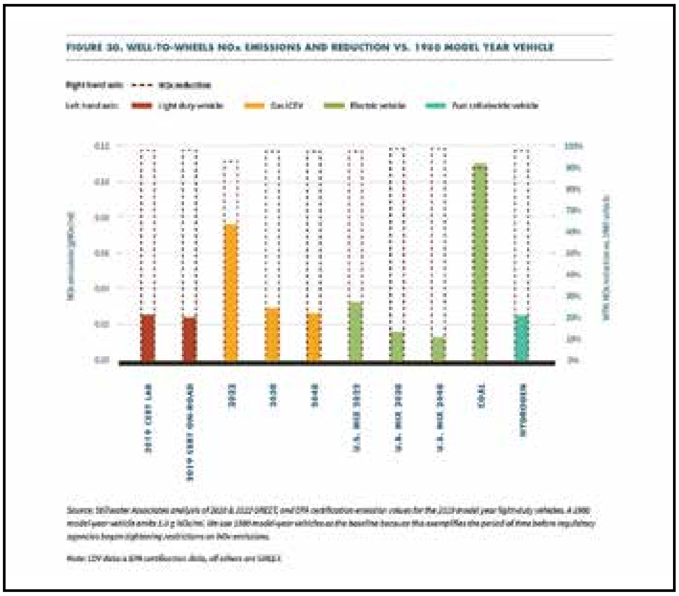


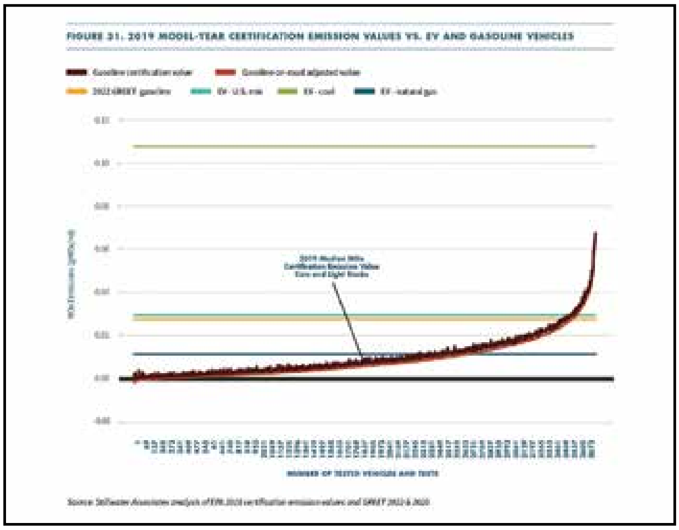


The other major category of concern is NOx emissions. Here is an excerpt from our report on that topic (Pages 68-69):

> In 1988, California implemented the Low Emission Vehicle program, seeking to reduce criteria pollutants (and especially NOx) by at least 97% so that California might attain the federal ozone standard. At that time, only EVs could provide the 97-98% lower NOx than ICEVs. Today, with the transition to ultra-low sulfur gasoline and diesel enabling higher efficiency catalytic converters on gasoline vehicles and the introduction of selective catalytic reactors to control diesel NOx emissions, ICEVs have reduced criteria emissions 97-99%. In fact, GREET WTW estimates show that, on average, most of today's vehicle options provide at least 97% reduced NOx from a 1980 model year vehicle emission level. Using current GREET values and EPA certification data, we compared the NOx emission levels of various vehicles and fuels. ▶

Comparing EPA NOx emission certification values for all 2019 vehicle models,79 GREET results indicate that both gasoline-fueled ICEVs' and EVs' NOx emissions will continue to decrease in the future, and all vehicle technology options' NOx reductions from a 1980 NOx level are within 1% of each other. These results are displayed in Figure 31 below.





Moving Forward

Reducing the environmental impact of transportation while preserving access to reliable and affordable energy are objectives we should all be able to support. Achieving them together will be a challenge, but it is one to which we can rise and achieve success if we remain open to various viable solutions. Knowing where we currently stand and where we have been is a very useful benchmark against future efforts to further reduce emissions.

The Transportation Energy Institute will continue to study the options that might yield success on all fronts and will push for policy discussions that keep an eye on the objective and not get distracted by hype and aspiration – we need real solutions and they are out there, we just have to work for them. ★

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.

Navigating the Complexities of Today's Capital Markets

BY: M. RYAN WEIR, JR., DIRECTOR, CAPITAL ADVISORY INVESTMENT BANKING GROUP, MATRIX CAPITAL MARKETS GROUP, INC.

In the current economic climate, navigating the capital markets is becoming increasingly more complex. Several themes have contributed to the challenging landscape, including inflation and rising benchmark rates, a regional bank liquidity crisis, and broader recessionary concerns. This near-term volatility has given rise to an acute focus on interest rate risk management and the necessary exploration of alternative capital solutions.

Inflation and Rising Benchmark Rates

In response to persistent inflation, the Federal Reserve continues to raise its benchmark interest rates with the explicit goal of tempering inflation and stabilizing the economy. This tightening monetary strategy has had, and will continue to have, profound implications on operating companies and their access to capital.

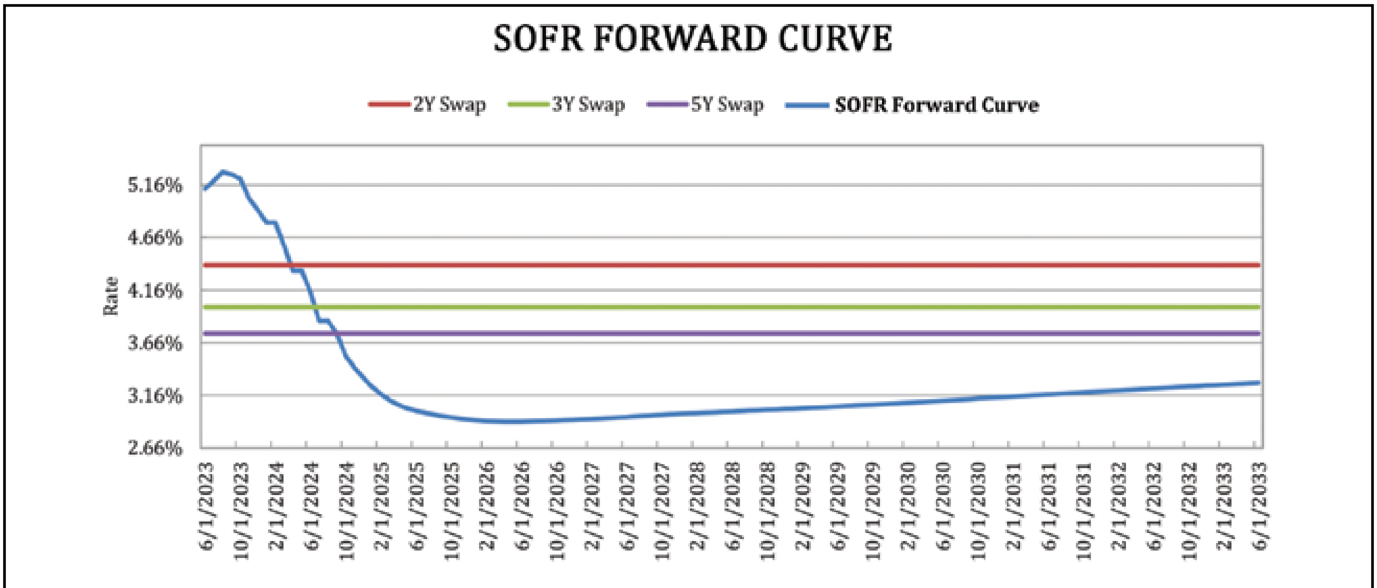
Following a prolonged period of near-zero interest rates, the Federal Reserve implemented ten consecutive rate increases since March 2022, thereby moving the target range for the federal funds rate in the May 2023 Federal Open Market Committee (FOMC) meeting to between 5.00-5.25%. The prime and standard overnight financing rate (SOFR) benchmark rates, which are directly correlated, consequently rose to 8.25% and ~5.00%, respectively.

This shift in the rate environment presents yet another set of hurdles operating companies face when already battling the lingering impact of the pandemic, rising costs, supply chain issues, and an incredibly tight labor market. As companies navigate their way through this (hopefully temporary) new reality, rising interest rates will undoubtedly impact performance and ultimately access to capital.

The Fed outlook is mixed: while a pause is expected, some Fed governors are suggesting the work is not done quite yet. Meanwhile, the markets are pricing in 2-3 cuts this year (perhaps a stretch) and, given that derivatives price off market anticipation, strategies employing interest rate swaps and similar structures are relatively attractive to floating rate borrowers.

Companies have a number of strategies at their disposal to hedge against exposure to rising interest rates. One of the more obvious solutions is swapping variable-rate debt for fixed-rate debt. This allows the issuer to lock in the current interest rates, thereby insulating their debt service obligations from future rate hikes. However, this strategy requires careful scrutiny as it can be costly if interest rates unexpectedly drop.

Alternatively, businesses might explore the use of other common financial derivatives such as caps and collars. These ▶



Note: 2Y, 3Y and 5Y Swap rates are indicative rates from market sources | SOFR Forward Curve Source: Chatham Financial May 2023 instruments offer some protection against future interest rate fluctuations although, like any financial contract, they do require a certain level of financial acumen and may involve additional costs. Often, a borrower may elect to swap rates on only a portion of the loan amount, versus the total amount.

A brief explanation of hedging tools is outlined below:

Interest Rate Swaps

An interest rate swap is a contract between two parties to exchange interest payments. One party agrees to make payments based on a fixed interest rate, and the other agrees to make payments based on a variable (or floating) interest rate. The principal amount (the loan amount) doesn't change; rather, just the interest payments that were swapped.

Cost/Benefit: If a borrower is worried about interest rates rising and has a loan with a variable interest rate, the Company might enter into a swap wherein the Borrower pays a fixed rate and receives a variable rate from the counterparty. If rates go up, payments from the increasing variable rate received from the swap help offset the higher interest cost on the fixed rate loan; however, if variable rates decrease, the Borrower is still obligated to pay the counterparty the higher fixed rate in the contract.

Risks: The key risk with swaps is a decrease in interest rates that results in higher payments (again, the Borrower is obligated to pay the agreed upon fixed rate) and a potential liability if the swap is terminated as a result of a refinance or sale of company (the value of the contract is marked to market and may result in a liability on the Company's balance sheet).

Interest Rate Caps

An interest rate cap is a derivative that provides a hedge against rising interest rates by setting a maximum or "cap" on a variable interest rate.

Cost/Benefit: A cap provides protection in a rising interest rate environment because the interest rate won't go above the contractual level; however, caps come with an upfront cost (the premium) that's paid whether or not interest rates rise. If rates stay the same or go down, the premium paid is forfeited.

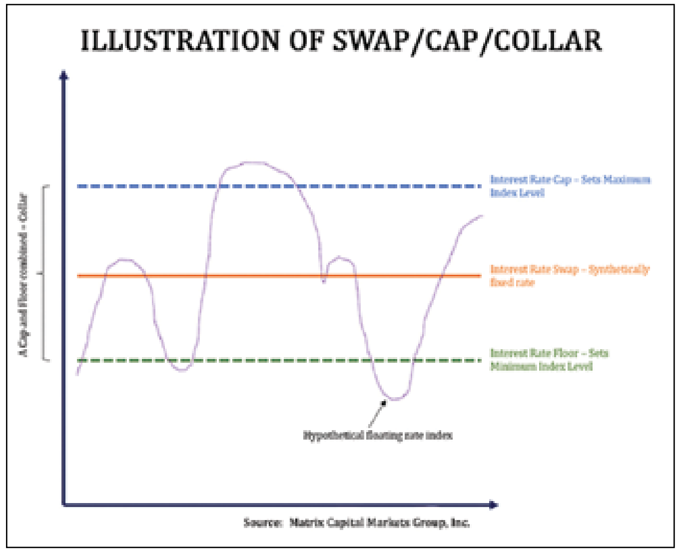
Risks: Upfront cost – much like insurance, the contract affords no benefit if there's no "claim" activity.

Interest Rate Collars

An interest rate collar is a combination of a cap and an interest rate floor (which sets a minimum interest rate). It effectively "collars" the nominal interest rate by creating a hard range perimeter.

Cost/Benefit: An interest rate collar provides protection against rising rates (with the cap) and against falling rates (with the floor). This tool is beneficial to a Borrower focused on locking in a range of potential interest rates for budgeting purposes.

Risks: The risks are similar to those of caps and swaps. If interest rates don't move as expected, Borrowers potentially pay more in interest or upfront costs to protect against a risk that doesn't materialize.

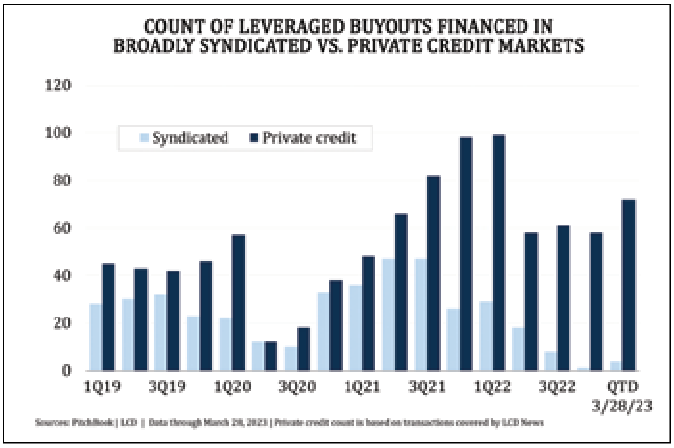


Each of these strategies comes with its own set of costs, benefits, and risks, and the best choice depends on each specific situation, expectations for future interest rates, and tolerance for risk. In some circumstances it may be best to ride the presumed rate cut "wave" down or use this time as an opportunity to de-lever.

Private Credit Takes Share/Resurgence of Mezzanine Debt

Shifting to capital, the banking industry, traditionally the bedrock of financial systems worldwide, recently finds itself at the epicenter of an escalating (and manufactured) crisis. Regional banks in particular are struggling with unprecedented challenges and, as a result, the current economic uncertainty has ushered in what Blackstone dubbed the "golden age" of private credit. As traditional sources of financing (banks) become less accessible, private credit continues to grow its reputation as a viable, and competitive, source of capital for closely-held companies.

In stark contrast to the struggles of traditional banks, private credit lending is experiencing an unparalleled upswing. Private credit lenders are non-bank institutions that offer loans to companies that are not bound to the traditional regulatory requirements of banks. Traditionally, these lenders have operated behind the scenes, often serving niche markets or higher-risk borrowers. But as traditional banks hesitate under the weight of the current uncertainty, private credit lenders are moving in to fill the void by providing essential liquidity when traditional banking channels struggle.



The rise of private credit lending can be attributed to several factors. Firstly, private credit lenders are not bound by the same regulatory constraints as banks. They offer more flexible terms and conditions and move quickly to close deals. In an environment where time and adaptability are critical, agility is a significant advantage.

Secondly, in this era of rising rates, private credit lenders can offer attractive risk-adjusted returns to investors. Private credit financings typically price in the SOFR plus >6.00% context resulting in low-double digit (unlevered) returns. Investors in private credit funds are finding this asset allocation strategy a relatively prudent approach in the current economic environment as it provides near equity-like returns at a far more attractive attachment point in the capital structure. This dynamic is fueling a surge of capital flowing into the alternative asset sector.

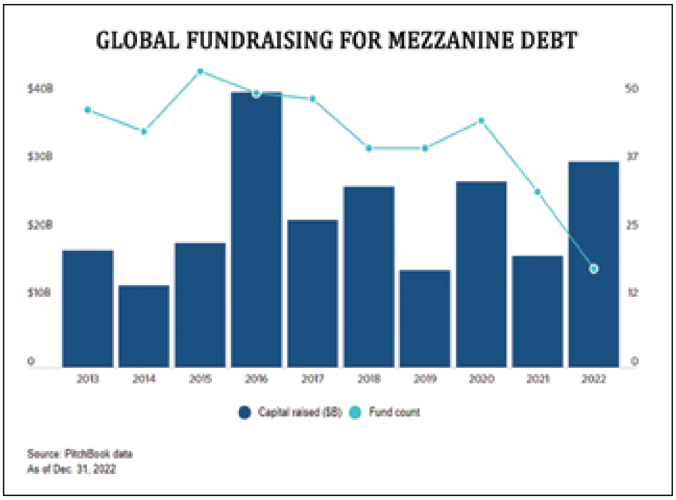
But what does this shift mean for the borrowers? The relevance of private credit lending will reshape how companies and real estate investors access credit. Private credit financings are more complex to navigate than traditional bank financing and tend to include more esoteric structural features that many issuers may not recognize. With an increasing number of providers and strategies that vary significantly, the market is still inefficient from a price/structure perspective (i.e. ten different providers will offer ten different solutions at ten different prices).

It is important for borrowers to weigh all the alternatives including review of competing providers, evaluate options, and ultimately sort through the market inefficiencies to secure the liquidity best suited for a specific industry and/or growth objective.

The Resurgence of Mezzanine Debt

Over the past few years, private credit lenders have dominated the leveraged loan market, primarily focusing on innovative financing forms such as unitranche deals, which amalgamate senior and junior debt into a singular loan; however, due to escalating interest rates and more stringent lending conditions, mezzanine ("mezz") financing, positioned within a company's capital structure between senior debt and common equity, is enjoying a renaissance. The ongoing instability within the traditional bank market is expected to generate even more opportunity for mezzanine lenders. ▶

This resurgence of mezzanine financing continues to drive significant inflows into the sector with private credit managers accumulating billions of dollars in dry powder for future deployment. According to Pitchbook, global mezzanine funds raised a total of $30.1 billion in 2022, almost double the amount in 2021, and the highest since 2016. Capital generated by mezzanine funds contributed to 16% of the total funds raised across all private debt strategies in the past year. This surpasses distressed debt and is second only to direct lending making it one of the most sought-after debt sub-strategies.

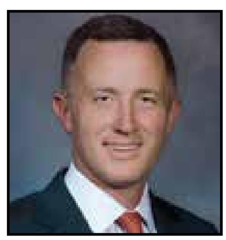


This accumulation of dry powder corresponds with growing demand for mezzanine financing from private equity firms and their portfolio companies, as other credit markets, such as the syndicated loan market, maintain a "risk-off" posture.

Structures from second lien term loans to Holdco Payment-In-Kind ("PIK") notes to structured preferred equity all fall into the mezz category and several factors are contributing to the increased demand. One major catalyst is the dwindling access to senior debt and unitranche loans due to MFN or "most favored nation" clauses restricting new debt issuance on more attractive terms than those offered to existing lenders. This restriction makes it challenging for borrowers to bring in new senior debt without repricing an entire first-lien facility and potentially losing the cost advantage of legacy debt in a rising rate environment. Furthermore, the rise in popularity of mezzanine financing is also attributable to the willingness of mezzanine lenders to permit PIK interest, and to offer a larger PIK component, thereby allowing operating companies to decrease fixed charges and build or conserve cash.

Role of an Advisor/Conclusion

Issuers facing capital markets volatility must be diligent in their approach to managing liquidity. The use of a conflict-free advisor to develop a sound go-to-market strategy, evaluate options, force providers to compete, and mitigate risk is crucial to executing successfully. More importantly, a capital markets professional that sits on the client-side of the table serves only the best interest of the Borrower and as an important market advocate plays a crucial role when identifying the right financing solutions and ensuring continued access to capital for growth and/or liquidity.



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APAC	MOPS (FOB Singapore) refined products MOPJ naphtha
LATAM	Brazilian refined products

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U.S. Refining Margins, Cracks Remain Strong, But Refiners' 'Platinum Age' Loses Luster

BY JANET MCGURTY, S&P GLOBAL COMMODITY INSIGHTS

- **Benchmark margins to ebb toward historical levels**
- **Gasoline cracks sustained by supply tightness**
- **Middle distillate cracks to soften before gasoline**

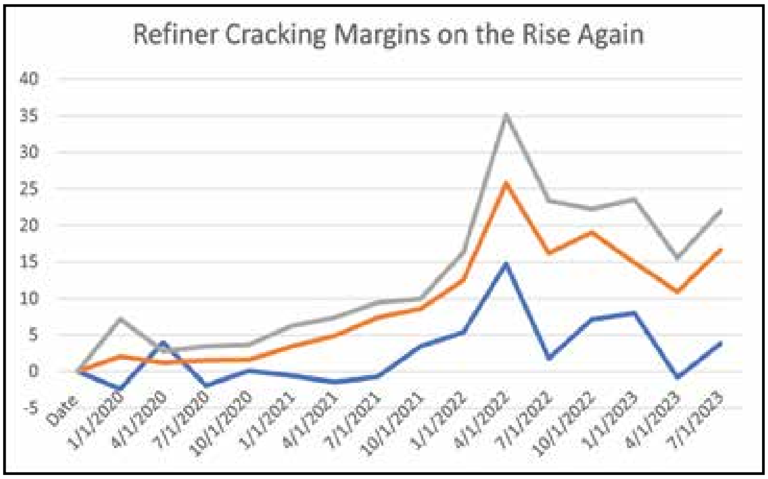
A look at U.S. refiners' second quarter earnings shows quarterly refinery margins hovering just under 2022's record highs, and with global demand growth for transportation fuels outpacing new capacity additions, margins will remain robust for at least the next year. Net supply additions have lagged demand growth, leading to a sustained period of market tightness, and "these trends are prolonging a period of unusually high margins, which we have termed the 'Platinum Age' of refiners," S&P Global Commodity Insights said.

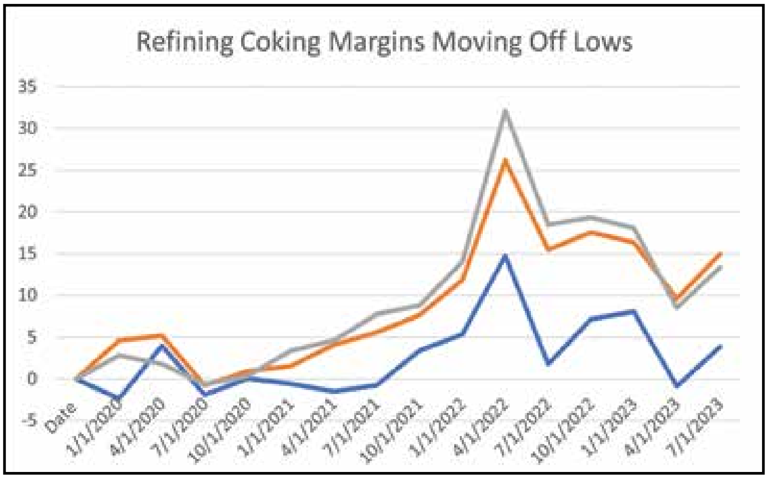
That Platinum Age for refiners came as the result of import bans on Russian refined products put in place following Russia's invasion of Ukraine in February 2022, the shutdown of refinery capacity during the low-demand coronavirus period, and the delay of planned refinery expansions; all of which are contributing to refiners' struggles to meet increasing demand. Since 2019, about 4.5 million b/d of global refinery capacity was shut as a direct consequence of the coronavirus. Most of the rationalized refinery capacity was in the Atlantic Basin, giving it an advantage over other regions.

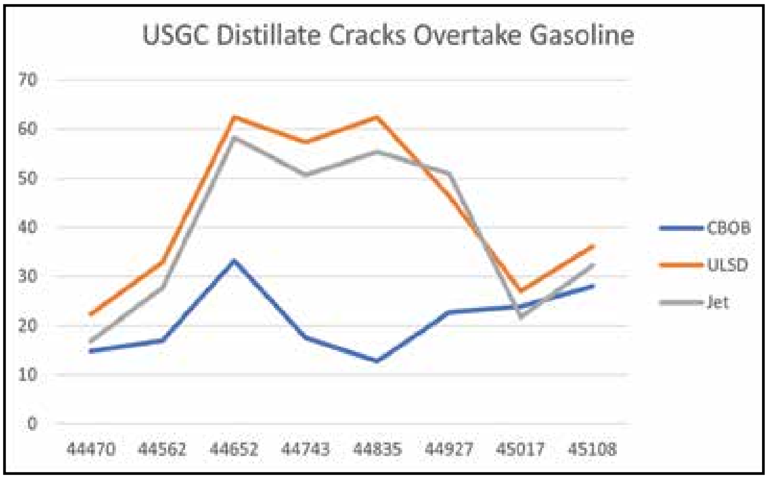
And a result, the regional lower refinery capacity combined with faster demand growth is sustaining higher margins for U.S. and European refiners than their Asian counterparts, who are faced with higher costs including skyrocketing tanker rates to bring crude into their refineries and ferry products out to export markets.

In the United States, gasoline cracks are higher than they were a year ago. U.S. Gulf Coast CBOB cracks are averaging $27.99/b so far in the third quarter of 2023, compared with $17.52/b in the third quarter of 2022, according to S&P Global data. And while diesel cracks have fallen from 2022 highs when markets were scurrying to replace banned Russian diesel barrels, they remain above historical averages.

So far in the third quarter of 2023, USGC ULSD cracks are averaging $35.80/b, below third quarter 2022 cracks of $57.28/b but well above the $15.80/b in the third quarter of 2019, S&P Global data shows. But with new refining capacity poised come online, refinery margins are expected to soften. ▶







"I think really the overall narrative on refining side is really that we're going to start slowly stepping down from the very high cracks and margins we have seen over the past 18 months over the next 18 months," said Dan Evans, vice president of refinery consulting at S&P Global.

Product Tightness Could Ease as New Capacity Grows

S&P Global expects an increase in both global gasoline and diesel supply through the end of 2024 as new global refinery capacity comes online. Between 2022 and 2024, S&P Global expects global gasoline and diesel supply to increase by 300,000 b/d and 500,000 b/d, respectively, while global demand for gasoline and diesel is forecast to rise 1.2 million b/d and 627,000 b/d, respectively.

Tightness in the diesel market is expected to ease in the first half of 2024 as new refining capacity comes online, while gasoline markets are dependent on the startup of new refinery capacity, most notably Nigeria's Dangote refinery.

First oil from the Dangote refinery, which was officially commissioned in May, is expected in the first quarter of 2024, with a ramp up to full capacity in 2026. However, S&P Global believes there is a risk factor associated with the start of new greenfield refineries, with a "non-negligible risk" that projects will be delayed. Factoring in that risk, S&P Global has raised its outlook on global diesel and gasoline cracks by $2-$3/b over the last month, as Atlantic Basin margins remain above historical levels. "We expect strength to persist through August, before margins fall away seasonally," S&P Global wrote.

Low Inventories Drive Higher U.S. Margins

One key factor in the strength of U.S. refined products are lower-than-average inventories of gasoline and diesel, which have persisted through the year. Virtually every U.S. refiner said on their second quarter results call they expected the tight supply/demand scenario for both fuels to continue into 2024, due in part to low stocks of gasoline, diesel, and jet.

U.S. refined product inventories remain below the five-year average, as refiners were unable to bulk up gasoline and diesel stocks builds traditionally done during the low-demand shoulder season at the beginning of the year. A freakish cold weather event just before the new year shut down refineries along the U.S. Gulf Coast, the U.S. Midwest, as well as the Rockies and U.S.

U.S. REFINING MARGINS, CRACKS REMAIN STRONG, BUT REFINERS' 'PLATINUM AGE' LOSES LUSTER

Atlantic Coast. This cut refinery utilization from 92% to 79.6% for the week ended Dec. 30, 2022, according to weekly U.S. Energy Information Administration (EIA) data.

Refineries that shut down with very little notice faced problems restarting, delaying an uptick in utilization. And combined with a heavy maintenance season planned for refineries, some of which had been delayed by the coronavirus, U.S. refinery utilization did not move back solidly over 90% until late April.

U.S. distillate stocks remain 16% below the five year average, with U.S. Atlantic Coast diesel inventory 36% below the five year average, for the week ended Aug. 11, most recent weekly EIA data shows.

"Given the low inventory levels and product shortages, we believe it's safe to assume there is meaningful upside to Q4 2023 estimates," UBS analyst Manav Gupta wrote in an investor note.

"If we get a rough hurricane season or a cold freeze (like Dec 2022) or a colder winter (last year was unusually warm) there could be serious product shortages, driving cracks even higher than current level," he wrote.

"We also believe based on where the cracks are there is upside to consensus numbers for [H2] 2023 and 2024; however, in the near term, we could see a 10%-15% correction in cracks." While Gupta also expects cracks to remain above mid-cycle levels based on global refinery capacity delays creating product shortages, he said the high price of crude oil could dampen demand. "Crude is over $80/b and cracks are over $40/b," he noted. "We are heading for demand destruction. Unless crude comes down, we could see weaker demand on a go forward basis." ★

Janet McGurty is a multi-faceted energy markets specialist and journalist at S&P Global Commodity Insights currently focused on refineries, renewables and transport fuels. Previously, Janet spent 20 years at Reuters covering energy financials as well as crude oil and refined products markets in London, New York and Toronto.

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2023 Legislation Opening Doors for Clean Fuels

BY FLOYD VERGARA, DIRECTOR OF STATE GOVERNMENTAL AFFAIRS, CLEAN FUELS ALLIANCE AMERICA

Lawmakers and elected officials across the country, at all levels of government, are recognizing the immediate role clean fuels can play in carbon reduction efforts. The wave of policies prioritizing environmental and energy issues has amplified the growing market for biodiesel, renewable diesel and sustainable aviation fuel (SAF).

U.S. biodiesel and renewable diesel production grew by 500 million gallons in 2022, and the rapid growth is continuing to accelerate. Production for the first quarter of the year was 33% higher than the first quarter of 2022. Investments in clean fuels are being made on an unprecedented scale. Renewable diesel is coming online quickly as companies have committed $6 billion in investments for increased crush capacity through new or expanded facilities. Renewable diesel went from less than 500 million gallons of production in 2019 to a projected 3.34 billion gallons this year.

While the Renewable Fuel Standard (RFS) continues to be an important federal policy driving biomass-based diesel production, states and local municipalities are increasingly taking leadership roles in developing and implementing their own renewable fuel policies. Increasing the use of clean fuels can improve public health, decrease air pollution, and reduce the dependence on fossil fuels.

California's Low Carbon Fuel Standard (LCFS) continues to build the framework for the success of biodiesel and renewable diesel across the country. Nearly 1.7 billion gallons of biomass-based diesel was used in 2022 generating 45% of the state's carbon reductions. Biodiesel and renewable diesel now make up 57% of California's diesel pool, according to the latest numbers released by the California Air Resources Board (CARB), accounting for the largest source of carbon reductions in the LCFS.

Various pieces of legislation across multiple states were carefully crafted with input from experts to increase adaptation of low carbon fuels, decrease greenhouse gas (GHG) emissions and improve air quality for citizens. To do this, governing bodies approved an array of bills ranging from biodiesel tax credits to establishing low carbon fuel standards.

Policy Changes

In a move adding value to Nebraska soybean farmers while promoting the continued growth of the burgeoning renewable fuel industry, Gov. Jim Pillen signed into law legislation promoting the sale and use of biodiesel. The provision, included in an omnibus revenue bill, provides retail tax incentives for the sale of biodiesel at fuel retailer locations throughout the state. The program is funded for $5 million and provides a $0.14 per allon credit for the sale of biodiesel, applied to a Nebraska fuel ▶

retailer's income tax liability. The successfully passed biodiesel incentives in Nebraska have the potential to lead to 60 million gallons of biodiesel demand.

Lawmakers in Missouri took steps to make it easier to utilize the biodiesel producers tax credit and increased the program cap. As part of an omnibus agriculture legislation package, the General Assembly approved changes to the "Missouri Biodiesel Producers Tax Credit." The program cap was increased to $5.5 million, and the credit transitioned to a first-come-first-served filing process to allow Missouri biodiesel producers an easier method for participation.

Biomass-based diesel continues to play a key role in the Oregon Clean Fuel Program. Oregon adopted more stringent statewide carbon-intensity (CI) reduction targets, aligning with California's current LCFS targets of a 20% CI reduction by 2030 and then leapfrogging California with a 37% target by 2035; the new targets are expected to expand biomass-based diesel demand up to nearly 600 million gallons. Due to Oregon's ambitious goal, California is now considering further expansion of the LCFS targets to 25-35% CI reduction by 2030. In Portland, a citywide ban on petroleum diesel is to be implemented in stages, with a mandate for complete replacement with 100% biodiesel, renewable diesel, or a blend thereof by 2030.

Looking Forward

Previous successes in Iowa, Illinois, and Missouri led to states like Indiana and Michigan pursuing biodiesel incentives while also sparking conversation for a Midwest Clean Fuel Standard. Indiana and Michigan are considering legislation that would create tiered incentives for the sale of biodiesel. These proposals offer escalating value of tax credits for fuel retailers who offer higher blends of biodiesel to their citizens. This type of program has been successful in other states and continues to be the preferred option for prioritizing biodiesel in Midwest states.

Legislation in Colorado would have exempted biodiesel and renewable diesel from the state's excise tax for special fuels. New Mexico was again on the cusp of passing a Clean Fuel Standard and incentives for blending and selling biodiesel. Although these bills did not pass, they opened the door for future conversations about policies that would help promote market growth.

New York, Massachusetts, Vermont, and Maryland continue to study and consider policies for biodiesel, renewable diesel, Bioheat® fuel and sustainable aviation fuel (SAF) as they work toward net-zero carbon emissions goals.

Clean Fuels is looking forward to carrying this momentum into future legislative sessions. These efforts are due in large part to the state soybean and Clean Fuels' member organizations who work diligently with our state and federal teams to advocate for policy that meets America's energy needs while adding economic value in our heartland. ★

How Fuel Environmental Compliance Managers can Benefit from Increased Automation

BY TONY CAPUTO, WARREN ROGERS

An environmental manager for a large convenience store or travel center chain can have one of the most-challenging roles within any organization. The manager may be subject to any number of issues occurring throughout their locations, many taking place at the same time.

These routine tasks can include reviewing dozens or hundreds of tank monitor or automatic tank gauge (ATG) alarms daily, monitoring the changing status of electronic sensors and probes, and tracking results from ATG-based tank and line testing…all in a proactive manner. Compliance managers may also have the task of checking on locations that may be monitored for statistical inventory reconciliation (SIR) or other forms of leak detection.

This role can quickly become reactionary as the work becomes overwhelming. Without good processes and routines in place, failure points can occur, costing thousands of dollars in avoidable or undetected leaks, non-compliance, and expensive regulatory fines.

The compliance manager can also be responsible for managing a huge number of recurring regulatory inspections required for each location, including 30-day walk-throughs, annual line inspections, remediation issues, and more. Often, those tasks are assigned to third parties, who also must be monitored and managed by the compliance manager. In some organizations, the compliance manager may also be responsible for attending field repairs and regulatory inspections, taking them away from their other compliance duties. Finally, if the above is not enough, billings and results from state and third party inspections must be reviewed, repairs authorized, followed up upon, documented, and invoices paid.

Research shows that, according to a report by McKinsey Global Institute[1] less than five percent of jobs consist of activities that can be fully automated. The report goes on to say that, in about 60 percent of occupations, at least one-third of the activities that make up a specific job could be automated.

The use of automation can not only increase productivity and make the environmental team more successful, automation can also increase overall sales through the speedier detection and repair of compliance-related issues. Increased automation and the use of technology may also give your organization an edge over your competition that is still managing through time-consuming processes.

Here are several ways to automate environmental compliance-related activities as you consider investing in automation and wet-stock management tools. Some remote monitoring systems are brand-agnostic, allowing you to consolidate all locations, no matter the equipment used, into a single web-based portal. This consolidation can help to decrease the number of applications and complexities used in an organization to capture and track compliance-related functions.

ATG Alarm Management

The monitoring and capture of (automatic tank gauge) ATG alarms can be better managed through the use of remote monitoring applications, allowing you to receive and review ATG alarms via desktop, tablet, or mobile. Applications using AI or other analytics can also track and display your active alarms for all locations on a single screen so that managers can then review in real-time. ATG alarms may also be filtered to allow managers to filter through the data "noise" and only spend time reviewing and addressing priority alarms, or those alarms most detrimental to your operation. Finally, all alarms can be tracked for historical purposes, allowing managers to review recurring issues and document alarms for regulatory compliance needs. ►

1 *https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobsskills-and-wages#part1*

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SENSOR	LABEL	STATUS	CONFIGURED	CLASS
1	NL T1 5604 BRINE	Sensor Normal	ON	Liquid Sensor
1	NL T1 5604 STP	Sensor Normal	ON	Mag Sensor
2	T2-T3-T4 BRINE	Sensor Normal	ON	Liquid Sensor
2	CPNL T2 5605 STP	Sensor Normal	ON	Mag Sensor
3	T5-T6-T7 BRINE	Sensor Normal	ON	Liquid Sensor
3	PNL T3 5606 STP	Sensor Normal	ON	Mag Sensor
4	DEF T4 5607 STP	Sensor Normal	ON	Liquid Sensor
5	RD T5 5608 STP	Sensor Normal	ON	Mag Sensor

Sensor Status

The monitoring of dispenser, sump, and interstitial sensors can be quite demanding. Each of these alarms can indicate a fuel system leak and immediately jeopardize compliance results. Every sensor alarm must be investigated and addressed to eliminate the issue and lessen the chance that fuel is being lost or leaking. For each sensor going into alarm, an ATG alarm alert may be issued. However, tracking numerous ATG alarms can be challenging. Robust wet-stock management tools can give managers not only the ability to track and filter priority ATG alarms but allow them to see real-time sensor status and compliance results. This can allow the manager to attack only the exceptional issues at hand without filtering through numerous applications or reports to get to the root of the issue. Less time spent looking for anomalies can mean more time spent repairing the issues at hand.

LOCATION	INFO	COMPLIANCE TYPE	TEST RESULT	PASS NEEDED BY	DAYS REMAINING
664 Collinstad, NY	22 Sensors Required	Interstitial Monitoring	Awaiting Passing Result	8/24/2023	0
213 East Antonefort, GA	T1: Unleaded Southwest	0.2 GPH ATG(Tank)	Awaiting Passing Result	8/29/2023	5
573 Port Craig, HI	18 Sensors Required	Interstitial Monitoring	Awaiting Passing Result	9/16/2023	23
618 Durganhaven, ME	16 Sensors Required	Interstitial Monitoring	Awaiting Passing Result	9/21/2023	28

ATG-based Test Tracking

Another duty of the compliance manager is to ensure that all stores pass their 30-day compliance requirements for tank, line, sensor, and/or interstitial testing. A robust wet-stock management tool can automate this task for the manager, showing only the compliance exceptions that need to be addressed. Tank monitor results can be checked daily by the system and exception-based reporting displayed for review. Compliance managers can assume that all other locations are fine and can focus on the exceptions, allowing more time to attack problem stores.

Automated Compliance Reporting

In many organizations, the manual handling of ATG-based testing paperwork can be time-consuming and spotty at best. Thirty-day inspection processes then manually check to ensure that store personnel have properly-documented the results. However, issues can be discovered in arrears and a 30-day non-compliance period could occur, putting you behind the 8-ball to avoid a regulatory fine. Proactive automation can be put in place to assist with this documentation. While some states do require the manual collection of ATG test results (tapes), others allow this to be captured electronically. Robust wet stock and compliance software can easily capture the results from the ATG and display it on a state-approved regulatory document. The documents can also contain historical information, often requested during regulatory inspections. Another time-saver for the compliance manager. Finally, the documents are stored digitally, often in the cloud, for future reference and archiving. A win-win for the compliance manager. ▶

Site Compliance Report
June 6, 2021 to October 5, 2021

Site: Sample
Sample

Tank Owner: Sample
Sample

Report Created: October 5, 2021 8:25 AM

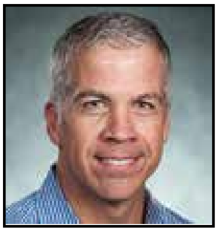
Tank Release Detection Results - 0.2 GPH ATG

Tank	Product	Test Date	Period	Test Type	Volume	% Full	Result
1	Ethanol	10/4/2021 3:12 AM	10/04/21 - 11/02/21	0.20 gal/hr test	6,918	68%	PASS
2	Super Unl	10/4/2021 2:34 AM	10/04/21 - 11/02/21	0.20 gal/hr test	7,010	69%	PASS
1	Ethanol	9/4/2021 3:37 AM	09/04/21 - 10/03/21	0.20 gal/hr test	4,908	48%	PASS
2	Super Unl	9/4/2021 3:37 AM	09/04/21 - 10/03/21	0.20 gal/hr test	6,488	64%	PASS
1	Ethanol	8/5/2021 12:19 AM	08/05/21 - 09/03/21	0.20 gal/hr test	4,664	46%	PASS
2	Super Unl	8/5/2021 1:45 AM	08/05/21 - 09/03/21	0.20 gal/hr test	6,869	68%	PASS
1	Ethanol	7/6/2021 4:00 AM	07/06/21 - 08/04/21	0.20 gal/hr test	6,165	61%	PASS
2	Super Unl	7/6/2021 2:53 AM	07/06/21 - 08/04/21	0.20 gal/hr test	6,627	65%	PASS

Task/Inspection Tracking and File Management

A final tool to benefit compliance managers is the use of an electronic "diary" to schedule, track, and show as complete the many functions they must perform. Those could include repairs, calibrations, filter changes, 30-day walkthroughs, annual line tests, and more. Plus, more-robust systems can set future events based on pre-set cadences as you complete current tasks. Systems can also allow the uploading of documents, pictures, regulatory paperwork, and other electronic files for safe-keeping and easy retrieval.

In summary, compliance managers have a tough job! Automation is a must, particularly for larger organizations. Eliminate some manual work through automation and consolidating numerous, time-consuming applications into a single solution. Free up your team to address issues in a timely and cost-effective fashion versus spending 1/3 or more of their time on unproductive work. Your company will benefit greatly through lower repair costs, faster response, better uptime, and decreased regulatory compliance risk.



Tony Caputo has worked in the fuel, convenience, and grocery industry for over thirty years, holding a variety of corporate and division leadership positions at The Kroger Co., Kroger SPG & Convenience Group, and EG America. He has extensive background and experience in marketing, merchandising, risk management, fuel management, environmental compliance, and operations. In prior roles, Tony was pivotal in the startup and implementation of The Kroger Co.'s 1,600 location fuel program, including the introduction of the Shell affiliate program and leadership of their national fuel merchandising and on-site marketing programs. Transitioning to EG America, Tony oversaw EG's US corporate risk and environmental programs for 1,100 convenience locations.

Tony joined the Warren Rogers' team in 2020 and supports the growth of Warren Rogers and lending insight into the continued development of their advanced wet-stock management tools. Tony enjoys helping fuel operators better understand ways to improve their overall efficiency in the forecourt and assist corporate staff in streamlining their compliance, maintenance, and supply roles.

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— Tate Sideman, Vice President & General Counsel, The Fikes Company

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