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INDEPENDENT GASOLINE MARKETING

MAY | JUNE 2024

SIGMA

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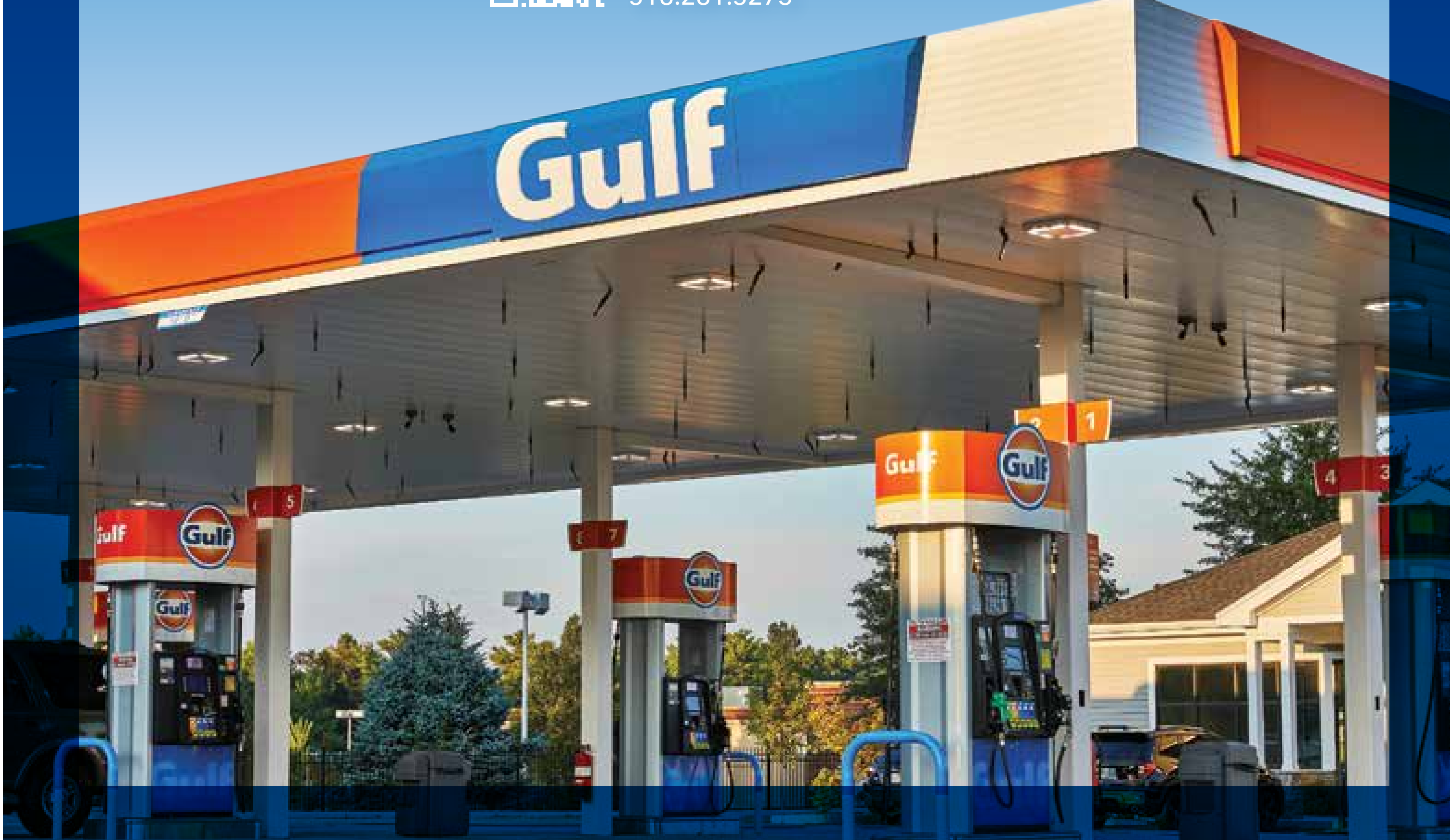

SIGMA

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

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

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

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THE FUTURE HAS ARRIVED

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Dale Boyett
SIGMA President

viewpoint

Join SIGMA in July for our Summer Legislative Conference and Day-on-the-Hill

This year, SIGMA's Summer Legislative Conference and Day-on-the-Hill is July 23-24 in Washington, DC. I am taking this opportunity to personally ask you to attend. As we head into the 2024 elections, it is imperative that SIGMA educate Congress on its legislative priority issues. Just as you wouldn't hesitate to invest in new technology or hardware to help your business run more smoothly, I am asking you to invest the time this summer to discuss the issues that affect Congress on the issues that affect our industry and how its actions directly affect your business.

Decisions are made every day in Congress that have significant ramifications for your business operations. The SIGMA Legislative Conference and Day-on-the-Hill is your opportunity to meet face-to-face with your elected officials in Washington and explain how the policy decisions they are making will be felt by your business, our industry, and the constituents you employ in their district and state.

One of the best parts about this event is that it is so easy to participate. SIGMA will do all the work for you – all you have to do is show up! And absolutely no prior experience is necessary. Before you arrive in Washington, SIGMA will send you talking points and background information, as well as SIGMA's position on the issues you will be discussing on the Hill. Read them on the plane to familiarize yourself with the topics. Once you arrive in Washington, we will take time on Tuesday to review the issues and hold roundtable discussions to share how they affect each attendee's operations. On Wednesday we will go to the Hill and share that message with Congress.

This meeting gives you the opportunity to address your political risk, interact with your industry peers who are facing the same challenges and issues that you are, and gain a better understanding of the issues affecting our industry and your business operations. Your SIGMA membership offers many benefits – one of them is representation before Congress and the Administration. Yes, the SIGMA Government Relations team advocates on SIGMA's behalf, but no one is a more effective advocate for your business than you. By participating in SIGMA's Summer Legislative Conference, you will maximize our advocacy efforts and our chances of success.

Please join me in July to ensure Congress knows how important our legislative priority issues are to the fuels marketing industry. We need every SIGMA member company to send a representative so our full voice can be heard. Together, we can make a difference that we simply can't do alone.

To register, please visit the SIGMA website at www.sigma.org.

I look forward to seeing you all in July.

Dale Boyett

Dale Boyett, Boyett Petroleum
SIGMA President ★

Inside SIGMA

A Message from the New SIGMA CEO

Dear SIGMA Community,

Happy Spring to all of you! I hope to see many of you at our conference in Austin in May! I look forward to meeting as many of you as possible and hear your feedback on our organization. I'm also one month into my tenure as CEO – I'm having a great time, and I'm booming with ideas on how we can make SIGMA even more valuable to all of you.

To that end, as I was preparing to write this, I got to thinking about the education that I did throughout my 45-year career. One thing I learned is that you're never too old to learn something new. For many years, I taught a basic fuel buying class, and we would often have people with 25, 30, or more years of experience in attendance. They wanted to come and learn what everyone else was learning.

So – if I may, I would like to take this opportunity to impart some of my wisdom about "Best Practices" in fuel management. This is the kind of education that I want to spearhead at SIGMA – educating new people in our industry as well as veterans – on best practices.

This will be the first of several installments in a series covering best practices to incorporate into your business for improved fuel management. For many companies, having a well-thought-out fuel buying program – with well-written contracts and a visible, transparent 'benchmark' as a cost basis – is an afterthought. Many companies – regardless of their size - treat the fuel buying side of their business as an inconvenience, a costly necessity. This is especially true for many of your fuel buying customers.

Companies often 'cycle' people through the fuel desk job – it is not uncommon to see employees transition from buying pencils, desks, or coffee into purchasing fuel. Only the smartest and most thoughtful of those companies dedicate the right resources toward building a team of knowledgeable, well-trained people that implement best practices on a daily basis.

Hopefully this article, and those that will follow, will get you and your employees even more engaged in the challenges facing their customers, and in updating, and improving your own fuel buying programs.

I thought it would be good to start this series of refreshers by focusing on fuel contracts.

Did you know: Roughly 75% of all current fuel supply contracts are poorly written - 75% is perhaps a conservative number. In reality, it is likely closer to 90%. By 'poorly written,' I mean that the contracts are old and outdated, do not refer to the correct fuel mandated in that area or have not been updated to include how carbon related benchmarks like RINS or LCFS play into contracted costs. One of the most critical things any fuel buyer can do is to have contracts reviewed – not only at renewal but also intermittently – particularly if your fuel volumes are growing.

Most fuel buyers do not realize that without a clear, defined benchmark, it is impossible to accurately review and audit invoices.

Say what?

Fuel-buying formulas are becoming more and more complex. Instead of posted rack deals, index or formula deals are becoming commonplace.

What does that mean?

It means that the buyer's cost is not a posted rack price, but an index such as a spot price published by a PRA. Spot prices are far more volatile than racks – on down days, the spot price "basis" plus the "adder" will likely beat the rack.

Always have access to intra-day fuel pricing if you do formula deals.

Spot markets move all day long – they are very volatile. Having a tool of some type that shows intraday spot market pricing – and the news that is driving the market – is a huge competitive advantage.

I look forward to the months ahead when I can offer some more thoughts on best practices from my long tenure in this business. In the meantime, Happy Spring!

Scott Berhang
CEO, SIGMA ★

SIGMA UPCOMING EVENTS!

2024

JULY
July 23-24
SIGMA Summer Legislative Conference
Washington, DC

SEPTEMBER
September 17-20
SIGMA Share Groups
New Orleans, LA

NOVEMBER
November 12-14
SIGMA Annual Conference
Westin Copley Place
Boston, MA

2025

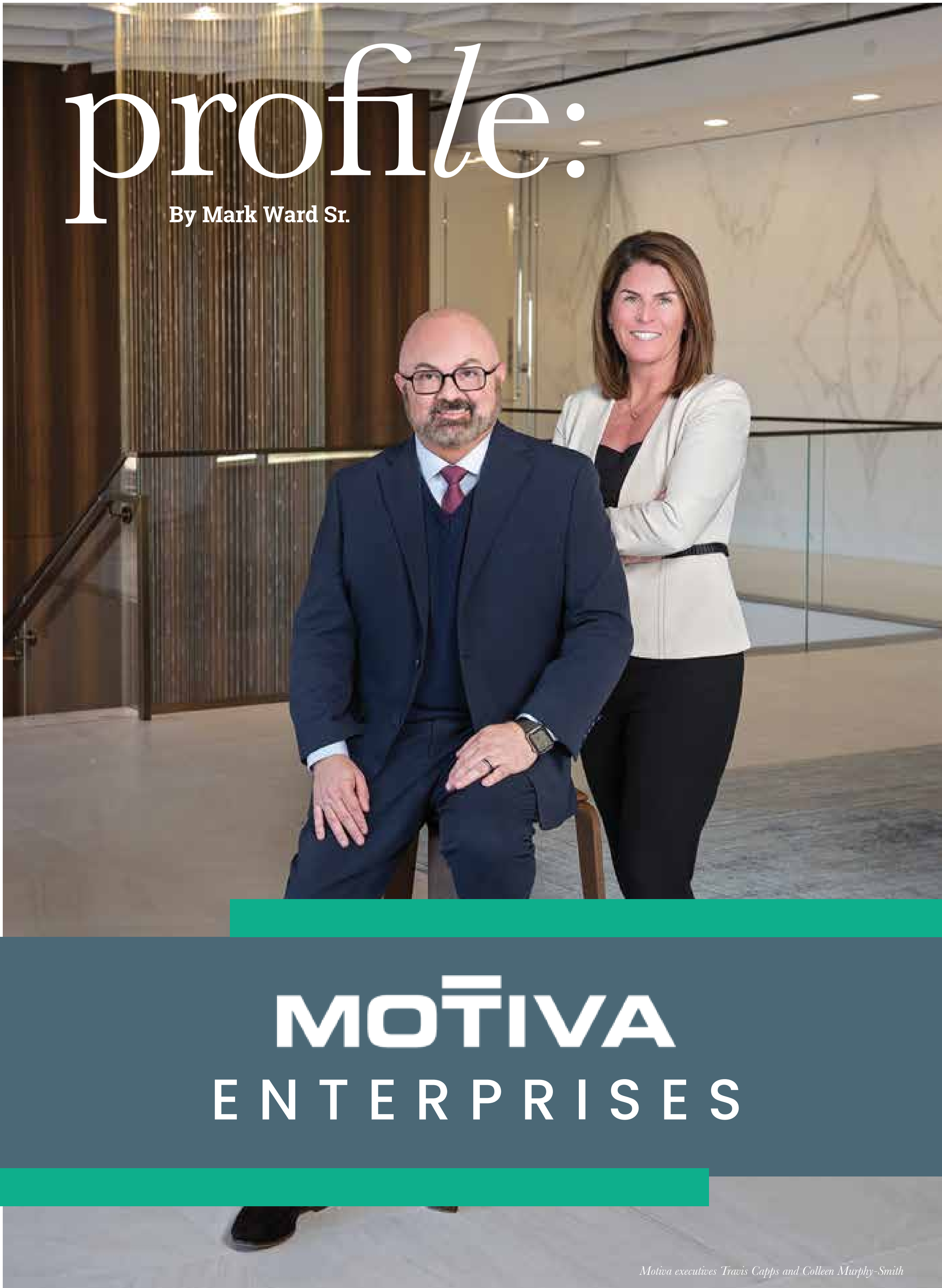
FEBRUARY
February 2-5
SIGMA 2025 Executive Leadership Conference
Vail, CO

APRIL
April 22-24
SIGMA 2025 Spring Conference
Scottsdale, AZ

NOVEMBER
November 4-6
SIGMA 2025 Annual Conference
Nashville, TN

profile:

By Mark Ward Sr.



MOTIVA ENTERPRISES

Motiva executives Travis Capps and Colleen Murphy-Smith


Travis Capps and Colleen Murphy-Smith lead Motiva's new Commercial team.

If a company could epitomize the dynamism of an ever-changing industry, it would be Houston-based Motiva Enterprises.

Formed in 1998 as a joint venture, Motiva became a wholly owned subsidiary of Aramco in 2017. The company subsequently entered the chemicals business through the acquisition of a neighboring chemical plant, Flint Hills Port Arthur, and formed the Port Arthur (Texas) Manufacturing Complex that today boasts North America's largest oil refinery and the world's second-largest base oil plant.

Then last year, Motiva implemented a refreshed business strategy. The company divested its terminal assets, redeployed those resources to strengthen its connected logistics, and helped establish a powerhouse trading alliance, Aramco Trading Americas. Separate business units were reorganized, and brought together under a single commercial team.

"Our focus is operational and commercial excellence," reports Travis Capps, executive vice president of the newly formed Commercial group. "Our aim is to serve our customers through a single commercial team that gives them end-to-end reliability of supply."

Those customers are some 400 fuel wholesalers across a network of 17 states, from Texas to New York, who supply Shell, 76®, and unbranded product to thousands of retail sites along the Gulf and East Coast. In 2023, Motiva supplied 12 billion gallons of fuel, generating more than $35 billion in sales revenue.

"Our reorganization doesn't change day-to-day relations with SIGMA members," says Colleen Murphy-Smith, vice president of Fuel Sales and Marketing. "Being 'One Motiva' has always been our guiding principle. Having a single commercial team strengthens that."

Prior to the reorganization, Motiva operated 25 bulk terminals in addition to its relationships with 80 outside supply points. "Divesting our own terminal assets," Capps explains, "was driven by the realization that we had to either expand or exit the terminal business. Since we have the best of the best in our refining and our sales team, we decided to invest in those."

Murphy-Smith adds, "We'd already proven our logistical ability to work with 80 outside supply points. So it made sense to redeploy our terminal assets. From a fuel sales viewpoint, our reliability since then for our customers is as strong as ever."

Motiva's commitment to independent marketers and SIGMA likewise remains strong. The company was an Marquis Sponsor of the association's Spring Conference held May 6-8 in Austin, Texas. "SIGMA brings true value to marketers. It's an ideal platform to meet and learn from our customers," says Murphy-Smith. Capps agrees, "To serve our customers, we need to know our customers. SIGMA provides that opportunity." ▶

The Motiva executives said SIGMA is an ideal platform to meet with and learn from its customers.

Through its refreshed business strategy, Capps continues, "We can see the whole chain. Our refinery has a throughput of 720,000 barrels per day. We can access virtually any pipeline. We have all the needed third-party options at midstream. We have the power of Aramco Trading Americas. And we have a powerhouse sales team. Nobody matches our scale. We're huge yet simple. We serve our customers as a single team, as One Motiva."

The Whole Chain

The Motiva chain starts with its Port Arthur (Texas) Manufacturing Complex. Its refinery daily produces 640,000 barrels of diesel, jet fuel, and enough gasoline to refuel 740,000 cars per day. The complex also encompasses the largest base oil plant in the Western Hemisphere. Sited in Port Arthur, Texas, its daily capacity of 40,000 barrels can change the oil in 1.3 million cars. Motiva supplies aramcoPRIMA and aramcoULTRA base oils. Used in manufacturing automotive and industrial lubricants, the oils are sold domestically and in more than 15 countries.

As a complex that integrates refining and chemicals operations, Motiva facilities convert crude and other feedstocks into chemicals that are turned into plastics, rubber, paint, cosmetics, and other common products. By 2026, a $200 million expansion will enable processing of additional refinery feedstocks, deepening integration between the refinery and chemical plant.

Sourcing is enhanced as Motiva leverages relationships with Aramco affiliates, such as Aramco Trading Americas, to increase end-to-end value capture. As an American company operating as an affiliate of Aramco, Motiva is part of one of the world's largest integrated energy and chemical companies. Aramco's 70,000 worldwide employees operate in Asia, Europe, and North America.

Motiva's upstream assets, reports Capps, combine with "a comprehensive logistics network designed to efficiently and safely connect the Port Arthur refinery, chemical plant, and Port Neches Terminal with various supply and distribution points located throughout the region."

The combined fill capacity of Motiva's Port Arthur and Port Neches terminals exceeds 5 million barrels, complemented by 400 miles of Motiva-operated pipelines. "We also strengthen our market position through connected logistics and third-party partnerships," adds Capps.

That logistical sophistication was on display following the March 26 collapse of Baltimore's Francis Scott Key Bridge. "Within an hour of the Port of Baltimore being closed," Capps relates, "we rerouted our supply chain so that our customers didn't experience any delays in receiving their fuel supplies." Motiva has third-party partnerships with truck, rail, and marine transport to ensure reliable delivery by any means required.

Motiva operates North America's largest oil refinery in Port Arthur, TX.

Through exclusive long-term licenses, Motiva supplies Shell and 76® products from Texas to New York. Product sold by Motiva to wholesalers in turn supplies more than 4,100 branded Shell sites and 400 branded 76® sites. "Shell is a market-leading brand," says Murphy-Smith. "But independent marketers today operate multiple sites and often need a differentiated fuel strategy. So in 2016, we added the 76® brand."

Then too, adds Capps, "We also really like the unbranded space and we've been putting more focus on it. After Shell sales, unbranded gasoline and diesel are next in volume for us. Retailers are operating more destination sites with foodservice. That means they want to build recognition for their own brand across their store and fuel presentations."

Whether its wholesaler customers purchase branded or unbranded fuels, Capps says the differentiators in choosing Motiva as a supplier are its reliability and the service provided by its sales team. "We have the scale to win," he says.

Motiva's published mission statement is "To be the world's safest and most profitable downstream company and an integral part of Aramco's downstream business." In accomplishing that mission, Motiva's 2,400 employees are guided by four principles: "We do the right thing. We are One Motiva. We are empowered. We deliver excellence."

The refinery produces more than 12 billion gallons of fuel annually to consumers throughout the Americas.

Since stepping into her new role last year, Murphy-Smith says her leadership of Motiva's Fuel Sales and Marketing team has emphasized the "One Motiva" culture. "Like every company, we've experienced change since COVID," she relates. "Having to shut down the office and work remotely for a year, we learned new ways to connect effectively with our customers and with each other. Though we're back at the office, we've added the new connection capabilities that we learned. 'One Motiva' has been the constant."

A Positive Story

Things have likewise changed for retailers since the pandemic. "Their costs to operate sites—labor, product mix, the cost to build a site—have all increased," Murphy-Smith states. "We must understand these cost challenges. If retailers don't grow, then our wholesaler customers won't grow, and we won't grow." ▶

Motiva's fully integrated refinery and chemical plant located in Port Arthur, TX.

Issues that suppliers and marketers must anticipate is great. "I go to a lot of state association meetings," Murphy-Smith reports. "To name one example, everyone is discussing electric vehicles. When do you install charging stations? Independent marketers must stay ahead of the game."

Motiva has a long history of supporting local communities in Houston and Port Arthur.

Capps believes part of the answer is conveying the positive stories that Motiva and independent marketers have to tell. "We recognize that human activities contribute to greenhouse gas emissions," he says. "As a company, we've established a goal by 2030 to reduce our carbon intensity by 15 percent."

As operators of North America's largest refinery, Capps points out, "We can be part of the solution. We're implementing measures to generate lower-carbon power and steam, improve process efficiency, minimize energy loss, and use the latest-available control technologies."

To be a responsible corporate citizen, Motiva focuses on stewardship of communities, stewardship of health, safety, and the environment, and support for education and training. Since 2021, Motiva has contributed $4.3 million to assist more than 225 community organizations, give more than 60 grants to first responders, prepare nearly 100,000 meals through the Houston Bank, and log 6,800 volunteer hours at more than 150 employee-led volunteer events. Other efforts range from planting trees to providing free medical screenings to awarding more than $3.2 million to date through Motiva Excellence in Education Scholarships.

Independent marketers are also positive contributors to their communities, continues Murphy-Smith. "They know their local customers and markets best," she observes. "That's why I'm excited to bring our commercial team under one division. Our 'One Motiva' approach can serve both larger customers with lots of gallons and smaller customers with fewer gallons."

Capps agrees that Motiva's refreshed business strategy "helps us overcome the challenge of scale—getting more scale without getting further from our customers." For that reason, he sees a bright future for Motiva and for independent marketers. "I can't picture a world without independents," he says. "Consumers and communities need choices. With our support, independents provide those choices." ★

Washington WATCH

Administration Unveils Final Rules for Reducing Light and Heavy-Duty Carbon Emissions

The Biden Administration in March 2024 finalized two sweeping regulations aimed at lowering carbon emissions from both light and heavy-duty vehicles, setting off an avalanche of criticism from industry stakeholders advocating for a more pragmatic approach to transportation decarbonization.

EPA issued its Light-Duty Greenhouse Gas Standard and the Phase 3 Heavy-Duty Greenhouse Gas rules, which set stricter respective standards for reducing greenhouse gas emissions from passenger cars and heavy-duty commercial trucks over the next decade.

SIGMA and its allies voiced concern with both standards. The rules effectively mandate a transition to electricity without adequately considering the need for a reliable charging network for cars and heavy trucks or the renewable liquid fueling options that are commercially available at scale today for reducing carbon emissions.

The Light-Duty Vehicle Greenhouse Gas Regulations and Standards Final Rule sets stricter standards for model years 2027-2032 and calls for automakers to meet an average emissions rate of 85 grams per mile compared with 192 grams for current model year 2024 vehicles. EPA estimates that EV market share will increase to 55 percent of all new cars sold by 2032. Electric plug-in hybrids are projected to be 13 percent of auto sales over the same period.

EPA in March also set stricter emission standards for heavy-duty trucks, buses, and other large vehicles. Thirty percent of heavy-duty vocational trucks need to be zero emission by 2032, along with 40 percent of short-haul day-cab trucks.

The Heavy-duty rule came just days after the Joint Office of Energy and Transportation released its National Zero-Emission Freight Corridor strategy, which aims to align investments and deployment of zero-emission medium and heavy-duty vehicle infrastructure along national freight corridors. ▶

SIGMA's Position on EPA's Greenhouse Gas Rules

SIGMA encouraged the Biden Administration to take a more practical approach to reducing carbon emissions rather than focus on a single refueling technology that has not yet proven itself to be more viable than other refueling options.

SIGMA in comments and meetings with federal regulators argued that the current state of the EV charging market makes the electrification timelines unachievable and urged EPA to harness the more immediate decarbonization potential of other options such as improved fuel economy and renewable liquid fuels while incentivizing longer-term technologies.

SIGMA urged EPA to support technologies and market reforms that encourage private sector investment in all alternative fueling technologies and to support carbon reducing technologies at a level that is proportionate with their relative climate benefits and commercial viability.

SIGMA thinks the best course of action for decarbonizing cars and heavy-duty trucking in the near term is to put forth strong incentives for renewable liquid fuels in conjunction with its GHG rules.

In its Final Rule for Light-Duty Vehicles (which only changed modestly from the proposed rule), EPA acknowledged SIGMA's concerns, but ultimately only addressed the needs of automakers and their key manufacturing supply chains. The Final Rule did not sufficiently consider the need to build out a reliable EV charging network.

EPA said, "Vehicle manufacturers, dealers, and representatives of the fuels industry, among others, raised concerns stating that charging infrastructure is in adequate today and that the pace of deployment is not on track to meet levels needed if the proposed standards are finalized."

Manufacturers and others said customers will not purchase plug-in electric vehicles if reliable charging infrastructure is unavailable. While they recognize the importance of the Bipartisan Infrastructure Law and the Inflation Reduction Act in supporting the buildout of charging infrastructure, commenters expressed concerns that far more funding would be needed with some commenters characterizing BIL funds as a 'good downpayment.'

EPA simply stated that it agreed "with commenters that keeping up with charging needs as plug-in electric vehicle adoption grows will require continued investments in charging infrastructure."

With regard to electrifying commercial trucks, SIGMA worked to ensure that the Biden Administration recognized the critical link between freight movement and the efficient build out of a nationwide network of charging stations for medium and heavy-duty trucks.

The National Zero-Emission Freight Corridor strategy directed states to adopt a phased approach that prioritizes investments along key freight corridors and harnesses the existing nationwide network of refueling locations along the Interstate Highway System.

SIGMA applauded the Zero-Emission Freight Corridor Strategy. The Final Heavy-Duty GHG Rule, however, failed to take the refueling marketplace into consideration. Like the Light-Duty Final Rule, the Heavy-Duty Rule modestly extended the timeframe for transitioning vehicles. It did not adequately consider the significant challenges that fuel marketers face in transitioning to heavy-duty truck electrification. The Administration's Final Rule also does not recognize the need to support lower carbon alternatives to diesel fuel that are currently commercially viable, such as biodiesel and renewable diesel.

A new report from Roland Berger issued in advance of the Final Rule found that full electrification of the U.S. commercial truck fleet will require nearly $1 trillion in infrastructure investment. To support the full electrification of long-haul vehicles, fuel marketers serving commercial motor vehicles will need to invest $57 billion to build out a sufficiently dense long-haul charging network. To electrify all medium and heavy-duty vehicles, fleets and charge point operators will need to invest $620 billion into chargers, site infrastructure and utility service costs.

Additional Policies and Reforms are Necessary

SIGMA continues to advocate for additional policies and market reforms that will encourage private sector investment in alternative fuel technologies, including electricity.

SIGMA is advocating for policies that:

Permit owners of direct current (DC) fast chargers to generate electronic Renewable Identification Numbers (e-RINs) when the electricity is produced from qualifying feedstocks. Allowing fuel marketers to capture the value derived from e-RINs would enable fuel marketers to overcome arcane utility regulations that make

it unnecessarily challenging to install and operate charging stations. Automakers, while lamenting the lack of publicly available charging stations, have at the same time discouraged EPA from allowing EV charging owners to generate valuable e-RINs, instead wanting the vehicle manufacturers to reap those benefits.

Create a new, competitive marketplace for fast, publicly accessible EV charging stations. Regulated utilities should be encouraged to create EV-specific rates that allow businesses to confidently invest in charging stations. Unless charging station operators can make money selling electricity to EV drivers, EV drivers will continue to have challenges finding attractive places to refuel. Grant money and stringent tailpipe emission standards cannot overcome that.

Extend the biodiesel tax credit, which is set to expire at the end of 2024. Since 2004, the biodiesel and renewable fuel credit has effectively spurred fuel marketers to invest in the necessary infrastructure to sell low-carbon alternative fuels while lowering costs for consumers. The biodiesel tax credit reduces the transportation sector's greenhouse gas emissions and enables fuel marketers to offer more competitively priced diesel fuel, which in turn lowers the price of all consumer goods that are moved by truck.

Allow year-round, nationwide sales of E15. Gasoline blended with up to 15 percent ethanol (E15) lowers prices, diversifies supply, and improves gasoline's emissions profile. Congress should address an arcane law that limits some states from selling E15 during the summer months. ★

Tiffany Wlazlowski Neuman represents SIGMA on matters of public affairs.

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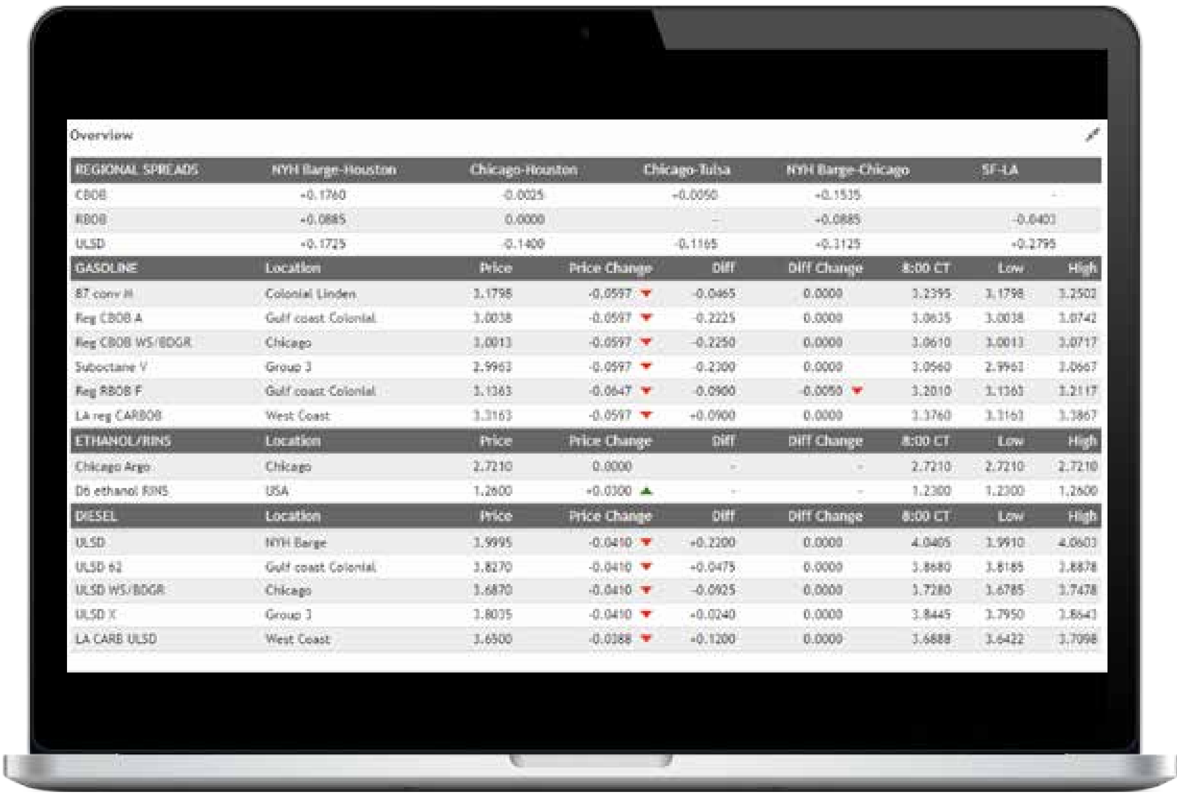

Overview

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	3.8165	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

Whiting Leaves Arbs Mixed in U.S. Midcontinent

BY ZACH APPEL AND HUNTER FITE, ARGUS MEDIA

Arbitrage opportunities for pumping road fuels to Chicago from the U.S. Gulf coast were mixed in the days following the return of the U.S. midcontinent's largest refinery from a multi-week outage. Increased gasoline and diesel supplies were restored in Chicago and nearby markets when BP's 435,000 b/d Whiting, Indiana, refinery reached full operations on 17 March after spending six-plus weeks offline from an unplanned 1 February power outage. But the effect on inter-regional arbitrage spreads was divergent for the two road fuels. Gasoline economics widened while diesel closed on paper.

Prices for Chicago Buckeye Complex CBOB — a conventional gasoline blendstock — notched the widest premium to Gulf Coast CBOB in nearly four weeks on 26 March at 10.5¢/USG despite rising inventory levels. The 10.5¢/USG CBOB spread held above Explorer Pipeline's 8.40¢/USG tariff for shipping product from Pasadena, Texas, to Hammond, Indiana. Buckeye Complex CBOB has an 8.8 Reid Vapor Pressure (RVP), 0.20 RVP below U.S. Gulf Coast product standard, during March and April. U.S. Gulf Coast product sent to the midcontinent would have to be improved before it could be stored at the Buckeye Complex, according to market participants, and this could increase the cost of shipping to Chicago beyond the shipping tariff.

U.S. midcontinent CBOB inventories rose by 2 percent to 36.90mn bl in the week ended 22 March, U.S. Energy Information Administration data show. Midcontinent CBOB inventories had fallen for the previous six weeks before rising with the return of the Whiting refinery. The CBOB arbitrage for shipping product to Chicago from the U.S. Gulf Coast was open for 48 percent of the trade days in March 2023 and was only open in 39 percent of the sessions in March this year despite the refinery outage.

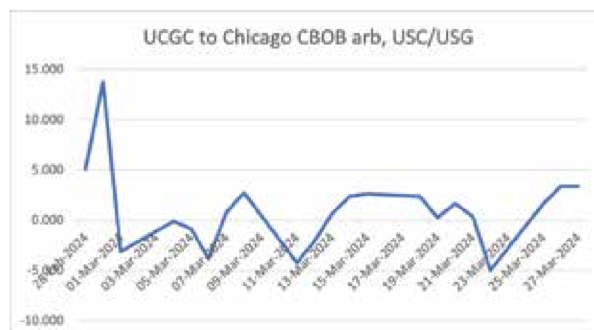
Diesel Arb Narrows

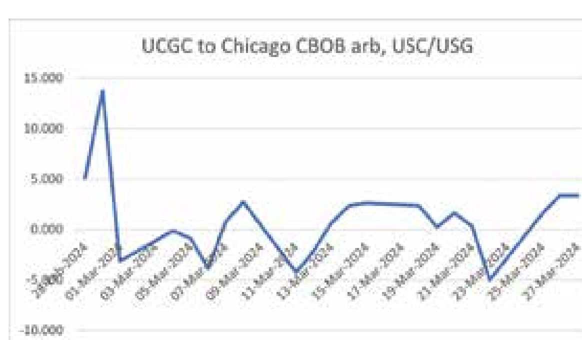
Regional diesel prices seemingly posted sharper responses to both Whiting's outage and return.

Chicago diesel arbitrage from the Gulf Coast closed for the first time in more than two weeks on 26 March as regional fuel inventories began to tick higher. Buckeye Complex ultra-low sulphur diesel (ULSD) traded flat to the May ULSD Nymex that day, decreasing cash differentials by 3.5¢/USG and pushing outright prices down by 8.33¢/USG to $2.62/USG, the lowest in three weeks. Buckeye Complex's premium to the U.S. Gulf coast narrowed to 7¢/USG, or 1.4¢/USG below Explorer's tariff rate from Pasadena to Hammond.

Market participants noted that diesel inventories in the region recovered from recent lows, undercutting arbitrage support. ULSD inventories in the U.S. midcontinent during the week ended 22 March rose for the first time in eight weeks, climbing by 500,000 bl to 31mn bl, the EIA reported. Inventories in the week ended 22 March were up from a year earlier by 2mn bl.

The region saw similar dynamics with jet fuel in late March, as that interregional spread closed after being viable on paper since 2 February. U.S. midcontinent jet fuel stocks rose on the week by 400,000 bl to 7.3mn bl, also the first build since 26 January. The region's jet fuel inventories were up by 700,000 bl from the same week last year. ★





CHANGING THE WAY THE WORLD COUNTS CASH

Inside
RISK MANAGEMENT

Telematics Solutions: Protecting Your Drivers and Business Reputation

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

Each time one of your employee drivers gets behind the wheel, they face risks. In 2022 alone, 42,795 people were killed on American roads.1 Federated Insurance® urges its member clients to rally around the message: Protect Your Drivers and Your Reputation. This serves as a reminder that the loss of a life in an accident is not only tragic — it could have your logo on it.

Harnessing Telematics Solutions for Safety

Federated® encourages SIGMA members clients to take action by utilizing a telematics solution to help drivers stay safe on the road. Telematics solutions can help to safeguard your reputation, business, and employees while offering consistent, meaningful feedback on employee driving behaviors.

With this technology, you're not just monitoring — you're mentoring. Telematics serves as a constant in-cab coach to remind drivers to reduce distractions and stay mentally focused. By closely monitoring driving behaviors, these technologies can identify and help business owners address risky habits. These small shifts in driving behaviors can help to prevent deadly accidents.

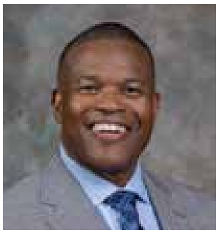
Solutions such as Federated DriveSAFESM telematics can be vital in curbing unwanted driving habits in your employees. This solution is a valuable member benefit provided by Federated, offered as a complimentary resource to member clients.

Your Logo Says A Lot About Your Drivers

Teaching your company drivers to steer clear of distractions is crucial. When your logo is on a vehicle involved in a crash, it's not just about the damage: it can have a negative impact on your business' reputation. This can lead to a loss of trust and credibility with clients; something no business wants. Your brand is more than a logo — it signifies a commitment to safety and excellence.

1.NHTSA Estimates for 2022 Show Roadway Fatalities Remain Flat After Two Years of Dramatic Increases, National Highway Traffic Safety Administration. https://www.nhtsa.gov/press-releases/traffic-crash-death-estimates-2022 Accessed 2/23//2024.

For further information on how telematics solutions can be a benefit to your business, reach out to your local marketing representative. Federated Insurance® is proud to partner with SIGMA for the benefit of all members.



Patrick Cunningham
National Account Executive
Association Risk Management Services
Federated Insurance®

Patrick Cunningham is a National Account Executive in the Association Risk Management Services department of Federated Insurance. Patrick is responsible for managing Federated's national association and buying group partners.

Since 1998, Pat has spent his entire career working in the marketing areas of Federated Insurance where he was a successful Marketing Representative, Account Executive-ARMS, District Marketing Manager, and Senior Marketing Representative. Pat earned the trust of hundreds of business owners in the areas of safety, risk, and business management by focusing on value, service, and relationships. Pat was awarded membership into Federated's Chairman's Council, Big Hitter Club, Monthly Leadership Council, and Life and Disability Income Contest winner. He also participated in various company Focus Meetings and workshops, "Street-Talk" seminars, Risk Management Academy seminars, and pilot programs.

A native of Kansas City, MO and an alum of the University of Central Missouri with a bachelor's in business management, Patrick and his wife are the proud parents of three daughters and two grandchildren.

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Inside CONVENTIONS

Mark Your Calendars for SIGMA's Day on the Hill and Share Groups

SIGMA has two important events coming up: Our Summer Legislative Conference and Day on the Hill July 23-24 in Washington D.C. and our Share Groups in New Orleans, LA September 17-20.

SIGMA's Summer Conference and Day on the Hill is your opportunity to support the association's advocacy goals by coming to Washington to educate lawmakers on our priority issues. As described during the Legislative Issues Briefing at our recent Spring Conference in Austin, there many threats to how you do business under active consideration in Congress. SIGMA needs you to come meet with your lawmakers and deliver our message – as well as remind them of your importance as an employer of their constituents. SIGMA will make the appointments for you, give you talking points, and make sure you are prepared for anticipated questions. All we ask is that you register and attend. No prior experience is needed! Bring your team – the more people who attend, the more Members of Congress with which we can meet.

Then, in September, make plans to attend (or send team members to attend) SIGMA's Share Groups in New Orleans. These one-and-a-half-day smaller group education sessions take a deep dive into particular areas of the industry. From best practices to networking with others who share your professional experience, the immediate takeaways are significant.

Tuesday, September 17 - Wednesday, September 18

Transportation
Moderated by Brendan McMahon, McMahon Consulting

Maintenance and Environmental
Moderated by Ben Thomas, UST Training, Inc.

Mobile Fueling, Cardlock & Tankwagon
Moderated by John Rettiger, Rettiger Group

Thursday, September 19 – Friday, September 20

Credit
Moderated by Ann Pitts, The Pitts Group

IT
Moderated by Patrick Abernathy, Ignite Retail Technology

Fuel Buying
Moderated by John Rettiger, Rettiger Group

To register for these and all of SIGMA's upcoming events, visit the events page on the SIGMA website! ★


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The Corporate Transparency Act: Are You Compliant?

GUEST CONTRIBUTOR ON BEHALF OF MATRIX CAPITAL MARKETS GROUP, INC.
BY JACOB S. WOODARD, WINTHROP & WEINSTINE

Many companies have new reporting requirements as of January 1, 2024. The Corporate Transparency Act (CTA) was passed as part of an anti-money laundering regime on January 1, 2021. The CTA requires a government-maintained registry of beneficial ownership information (BOI) for certain entities registered or formed to do business in the United States. The CTA requires that those entities report their BOI to the Financial Crimes Enforcement Network (FinCEN) of the Treasury Department. FinCEN website regarding the CTA is: https://www.fincen.gov/boi.

The reporting requirements of the CTA became effective on January 1, 2024. Companies existing before January 1, 2024 will have until January 1, 2025 to submit BOI reports. But, new reporting companies formed on or after January 1, 2024 must comply with CTA's 90-day reporting deadline.

Who Needs to Report?

Any corporation, limited liability company, or other similar entity that is (i) created by the filing of a document with a secretary of state or a similar office under the law of a State or Indian Tribe or (ii) formed under the law of a foreign country that is registered to do business in the United States must report, unless the entity is exempt. In addition, most partnerships (LPs, LLP, and LLLPs) are likely reporting companies under the CTA because such entities may be formed with a filing through the secretary of state or other similar office. Sole proprietorships, certain types of trusts, and general partnerships that are not created with a filing through the secretary of state or other similar office may fall outside the CTA's definition of a reporting company.

Exempt companies include public companies, banks, credit unions, insurance companies and insurance producers, entities registered with the SEC (such as broker dealers), registered investment advisers and investment companies, venture capital fund advisers, public accounting firms, tax-exempt entities, and others.

The large private company exemption is likely to have the broadest impact. Companies will not be subject to the CTA's reporting requirements if they:

- Have more than 20 employees on a full-time basis;
- Report gross receipts or sales of more than $5 million in the previous year's tax returns (including subsidiaries and operating affiliates); and
- Have a physical presence in the United States.

A common myth is that small entities do not need to report. However, even though the CTA includes numerous exemptions, many small businesses or real estate holding companies are unlikely to fall within the scope of its exemptions.

Who is a Beneficial Owner?

"Beneficial owner" means an individual who (i) directly or indirectly, through any contract, arrangement, understanding, relationships, or otherwise exercises "substantial control" over the entity or (ii) owns or controls not less than 25% of the "ownership interests" of the entity. "Ownership interests" include all types of interests including, e.g., equity, stock, membership interests, partnership interests, profits interests, options, warrants, call or put rights, and convertible debt.

Individuals can be a beneficial owner of a reporting company even if that person does not own any equity of the reporting company but exerts substantial control. Under the CTA, an individual exercises substantial control if the individual serves as or performs the functions of a senior officer (e.g., the president, CEO, CFO, General Counsel, COO, or any other officer performing a similar function, regardless of title). An individual's title itself is not determinative of senior officer status under the CTA. FinCEN has a chart to help identify those individuals with significant control. (See next page.)

Unless an exemption applies, a reporting company must identify all individuals who meet the beneficial owner definition and who have substantial control over the reporting company. While the number of individuals identified will vary from company to company, all reporting companies should identify at least one individual with substantial control. ►

SENIOR OFFICER
any individual holding the position or exercising the authority of a:
1. President
2. Chief financial officer (CFO)
3. General counsel (GC)
4. Chief executive officer (CEO)
5. Chief operating officer (COO)

or any other officer, regardless of official title, who performs a similar function as these officers

APPOINTMENT OR REMOVAL AUTHORITY
any individual with the ability to appoint or remove any **SENIOR OFFICER** or a majority of the board of directors or similar body

IMPORTANT DECISION-MAKER
any individual who directs, determines, or has substantial influence over important decisions made by the reporting company, including decisions regarding the reporting company's:

1. **Business**, such as:
   - Nature, scope, and attributes of the business
   - The selection or termination of business lines or ventures, or geographic focus
   - The entry into or termination, or the fulfillment or non-fulfillment, of significant contracts
2. **Finances**, such as:
   - Sale, lease, mortgage, or other transfer of any principal assets
   - Major expenditures or investments, issuances of any equity, incurrence of any significant debt, or approval of the operating budget
   - Compensation schemes and incentive programs for senior officers
3. **Structure**, such as:
   - Reorganization, dissolution, or merger
   - Amendments of any substantial governance documents of the reporting company, including the articles of incorporation or similar formation documents, bylaws, and significant policies or procedures

CATCH-ALL
any other form of substantial control over the reporting company. Control exercised in new and unique ways can still be substantial. For example, flexible corporate structures may have different indicators of control than the indicators included here

Source: FinCEN Beneficial Ownership Information Reporting Frequently Asked Questions, Updated January 12, 2024.

Who is a Company Applicant?

A company applicant is an individual who directly files the formation documents for a domestic reporting company or first registers a foreign reporting company, or where more than one individual is involved in the filing process, is primarily responsible for directing or controlling the filing of the relevant document(s) by another. A reporting company created or registered before January 1, 2024 does not need to report information regarding its company applications and does not need to report any change to the required information about its company applicants so long as the information regarding the company applicants was correct when first reported.

Information Reported

A reporting company must disclose information in its BOI report about itself and its beneficial owners and, in the case of a reporting company created or registered after January 1, 2024, its company applicants.

Reporting Company

The reporting company must disclose the following information:

- Full legal name of the reporting company (including any trade names, d/b/a names, or t/a names whether formally registered);

- Complete current street address (no P.O. boxes, registered agent addresses, mail forwarding/virtual office addresses) for the principal place of business for a domestic reporting company or the primary location where a foreign reporting company conducts business;
- The state, tribal, or foreign jurisdiction of formation; and
- The IRS TIN, including an EIN (if a foreign reporting company has not been issued a TIN, it may provide a tax identification number issued by a foreign jurisdiction and the name of the issuing jurisdiction as an alternative).

Reporting companies, like company applicants and beneficial owners, may opt to obtain a FinCEN identifier by checking a box on its BOI report during submission.

Beneficial Owners and Company Applicants

Each reporting company must disclose the following information regarding each of its beneficial owners and (when the entity was created or registered after January 1, 2024) its company applicants:

- Full legal name,
- Date of birth,
- Current address,
- Unique identification number from an unexpired passport, driver's license, other acceptable identification document, or FinCEN identity number, and
- An image of the identification document from which the unique identification number was obtained.

Instead of reporting the above information for beneficial owners or company applicants, an individual may obtain a FinCEN identifier. The reporting company may then report the individual's FinCEN identifier on its BOI report as opposed to the specific information regarding that individual. This may be a good option for individuals (1) who prefer to provide their personal information directly to FinCEN or (2) who are likely to be identified as beneficial owners or company applicants for multiple reporting companies.

Although the information contained in the BOI report will not be publicly accessible, it will be available to federal, state, and international law enforcement agencies as well as financial institutions for customer due diligence.

Initial Reports

Reporting companies created before January 1, 2024 will have until January 1, 2025 to file their initial BOI report. However, entities formed on or after January 1, 2024 must file their initial BOI reports with FinCEN within 90 days of the earlier of the date on which the reporting company:

- Receives actual notice that its creation (or in the case of a foreign reporting company registration to do business) has become effective; or
- A Secretary of State, or similar office, first provides public notice that the company has been created (or in the case of a foreign reporting company registered to do business).

Reporting companies that no longer qualify for one of the exemptions listed in the CTA after January 1, 2024 must file their initial BOI report within 30 days from the date on which the applicable exemption ends.

Updated and Corrected Reports

If the information regarding the reporting company or its beneficial owners previously reported changes, the reporting company must update the previously filed report within 30 days.

But, what if the change is small or immaterial? It doesn't matter. There is no materiality threshold or qualifier regarding a reporting company's or beneficial owner's obligation to report and update any changes to a previously filed BOI report. The reporting company and beneficial owners must report all changes to the required information, unless the change is due to the termination or dissolution of the reporting company, including, e.g., name changes, changes of addresses, or changes to drivers' license numbers or passport numbers.

If the reporting company becomes aware, or has reason to know, that any of the information contained in its previously filed report was inaccurate when filed, the reporting company must file a correct report within 30 days of such time to fix any inaccuracies.

Liability Under the CTA

Compliance with the CTA may be costly. But, if companies think compliance is costly, try noncompliance. The CTA includes both civil and criminal penalties for violations and noncompliance. The civil penalty may be up to $500/day for each day a violation continues. There is a criminal fine of up to $10,000 and potential imprisonment for up to two years, or both, for any person who willfully provides or attempts to provide false or fraudulent BOI or who fails to report complete or updated BOI to FinCEN. Penalties may also apply to reporting companies and individuals who cause a reporting ▶

company not to report or who are senior officers (based on the substantial control rules) of a reporting company at the time of its failure to fulfill its obligation or to accurately report or update BOI.

Further, the CTA allows civil penalties and a criminal penalty of up to $250,000 in fines or up to 5 years imprisonment, or both, for any person knowingly disclosing or using the BOI contained in a reporting company's BOI report in an unauthorized manner.

The CTA does include a safe harbor of up to 90 days for correction of inaccuracies. But, the safe harbor does not extend to inaccuracies that were made for the purpose of evading the reporting requirements or were known to the person submitting the report at the time of submission.

The CTA carries significant potential liability for violations along with its substantial reporting obligations. As such, reporting companies should begin to identify applicable obligations and implement compliance processes to monitor and report changes to the information required to be reported to avoid penalties.

Legal Challenges

The CTA is not without legal challenges of its own. Indeed, one court in the Northern District of Alabama found that the CTA was unconstitutional. However, that decision is (1) only applicable to the plaintiffs in that lawsuit and (2) currently on appeal to the United States Court of Appeals for the Eleventh Circuit. Unless your reporting company was one of the plaintiffs in that lawsuit, you will still need to comply with the CTA.

Looking Ahead

Reporting companies should develop policies and procedures to avoid penalties. These reporting requirements could represent a significant change to a company's current internal operations. Finally, while there is no fee to file BOI reports directly with FinCEN, some companies (particularly those with multiple reporting companies) work with a vendor to facilitate filings. However, given the novelty of the CTA and its recent enactment, companies and individuals have started selling services through official-sounding tradenames and websites. Caution should be exercised before contacting these services and providing them with personal information. FinCEN has noted on its BOI homepage that FinCEN is aware of fraudulent attempts to solicit information from individuals and entities who may be subject to the CTA. Reporting companies and beneficial owners should work with attorneys familiar with the CTA and established, verified vendors. ★

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About Winthrop & Weinstine, P.A.

The Downstream Energy Legal Team at Winthrop & Weinstine, P.A. represents clients in M&A transactions involving the purchase and sale of petroleum, propane and heating oil distribution businesses, as well as multi-unit retail operations, including convenience stores and quick-service restaurants; counseling on complex recapitalization, restructuring and financing transactions, including senior secured debt facilities, acquisition, construction and development facilities, equipment leasing, subordinated debt and mezzanine capital, and sale/leasebacks; drafting and negotiating fuel supply agreements and private label agreements; and advising owners in disputes, including mediation and litigation. We focus on the meaningful issues in a business transaction and efficiently leading the parties through the structuring, negotiation, documentation, and successful closing of each deal. Our extensive industry knowledge gives us a unique appreciation of the issues facing your business and a depth of experience in the multi-unit retail space. For more information regarding the CTA, reach out to Tammera Diehm, Jim Dierking, Noreen Sedgeman, or Jacob Woodard at Winthrop & Weinstine, P.A. (www.winthrop.com).


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Inside FAMILY BUSINESS

PRESENTED BY RONALD C. REECE, PH.D.

Difficult Conversations

I love this quote from Chuck Wisner's book *The Art of Conscious Conversation*. Further he writes. "We're in conversations all the time, so we don't think about them much. As a result, we often find ourselves stuck in cyclical patterns of unproductive behaviors. We listen half-heartedly, react emotionally, and respond habitually, like we're on autopilot."

And autopilot in critical, high stakes, difficult conversations is not good. I am repeatedly reminded of this in my own life and as I work with families in business. So here is a reminder to you.

Currently, a colleague and I have our efforts focused on a third-generation family enterprise (retail and real estate) in which five siblings in their sixties are equal owners. It is also a classic parasites and plunderer situation with one sibling in charge day to day and the others passive, as well as geographically distant. Mortality awareness, lack of governance structure, stressful conflict, and emotional pain, along with next generation possibilities pushed them to reach out again for help. Yes, again. They have tried before. So, what that means is entrenched habit patterns and years of poor communication.

We have a plan and are trying to work on the plan, but the system is strong with resistance. Part of our approach is pairing up siblings for facilitated relationship alignment and understanding conferences. I am also referring to it as "remodeling" even if, ever so slightly. These initiatives require conscious thought and preparation on our part and with everyone involved. It is a bit like surgery. Knowing where and how deep to go is pretty darn important.

The process hopefully will set up potential positive outcomes. Even minor adjustments can make a difference. These are difficult conversations for sure. The results of our work together will be based on many things, but two necessary elements are willingness to listen and everyone owning/claiming his or her part of the issues. We will see what happens.

Ninety percent of the calls I have gotten over the 30 years of consulting with family businesses have been because of some conflict that has arisen between one or more family members. The continuum of intensity has ranged from frequent routine repetitive arguments and mistrust all the way to litigation.

Conflict arises from

- Simple misunderstanding
- An inability to understand the other person's issues
- Unwillingness to compromise

Conflict is:

- Is Inevitable
- Is Recurring
- Is Part of Change
- Is Opportunity
- Is Uncomfortable

So, let's think about conflict and conversation. ▶

1. Conversation-mediation-arbitration-litigation; where do you want to begin?
Conversations are the least intrusive and often most effective means of dealing with conflict. It's fine to turn to someone else for help in understanding and dealing with a conflicted situation in which you find yourself, but only, and always, with the agreement that ultimately there will be a conversation with the person with whom you are at odds.

Mediation is a means of having difficult conversations when they can't be conducted by the two conflicting parties. The result of mediation is not an imposed solution, but rather a means of resolution agreed to by both sides. It can be as unstructured as a facilitated conversation or a more formalized mediation process with trained mediators.

Arbitration is a more formalized structure where the outcome is imposed on one or both parties. And, of course, the path of last resort that can destroy both the family's business and relationships is litigation. You don't want imposed solutions (arbitration or litigation) if at all possible!

2. Our communication is the relationship.

How do we want to communicate? How we communicate is how we relate. Communication is composed of three primary ingredients: content, context, and timing.

- Content is what I want or need to say to the other(s). This requires clarity about what is really going on that is causing me to feel conflicted with someone else or a situation. What is my key interest that needs resolution? How do I phrase these needs?
- Context is the setting in which I need to say these things. If I'm not comfortable with the setting of a conversation I won't express myself as honestly and fully as I need to. If my issue is with someone in a more "powerful" position, I need to find a neutral place to meet.
- Timing is finding a good time to broach a subject and express myself. No matter how cogent your content or comfortable the setting is, if the time isn't right you won't be heard. The other(s), too, must be sufficiently ready to have the conversation.

3. Do we need help resolving our conflict? If so, who should it be?
Imagine a setting in which you feel you could more openly communicate and seek resolution. Who would be there to help you? Who might the other person need to turn to for perspective? Ultimately, it's about courage to engage the other person, but having some support or a facilitator can be important when trying to have a difficult conversation.

4. What's at the base of our conflict? Is this a repeating pattern or a one-time thing?
Before engaging in a difficult conversation with anyone, ask yourself this: What is causing me to be upset with this person? Then honestly and more deeply ask it again. Finally, ask it a third time. Write down your answers and see if you have been able to get closer to the core of the upset with each repetition.

5. Avoid blame and seek solutions.
Often, we share equally in our conflicts. Think of it this way, "I am the only constant in every conflict I've ever had!" In every conflict in my life, I've been there. Be responsible for your relationships. There are two sides to every story. Blaming the other(s) will not take you where you want to go. Only mutual willingness to succeed will do that.

6. Think long-term rather than quick fix.
Life's too short to keep coming back to this over and over! Can our family business relationships stand for this conflict to go unresolved? Conflicts in a business family can erode, corrode, or explode. The healthiest business families have implicit agreements that conflict can be healthy and useful. However, once it passes a certain point it becomes damaging and even destructive.

7. Unmet interests undermine conflict resolution.
Mediation is generally a means of drawing out competing interests in each situation and trying to find compromise or collaboration in its constructive resolution. If I have unmet interests in a situation, they will continue to fester only to manifest later, often in an even more disruptive way. Even a seeming truce will not last if interests aren't met adequately.

A word of **warning**, email, text, voicemail, Instagram, or whatever electronic medium is for **Information not Communication**. These are poor methods for dealing with disagreements or emotionally laden subjects. Finally, remember, an apology can go a long way.

For more on this topic check out: *Crucial Conversations, Tools for Talking When Stakes Are High, Second Edition* by Kerry Patterson, Joseph Grenny, Ron McMillan and Al Switzler.

Soon,
Ron

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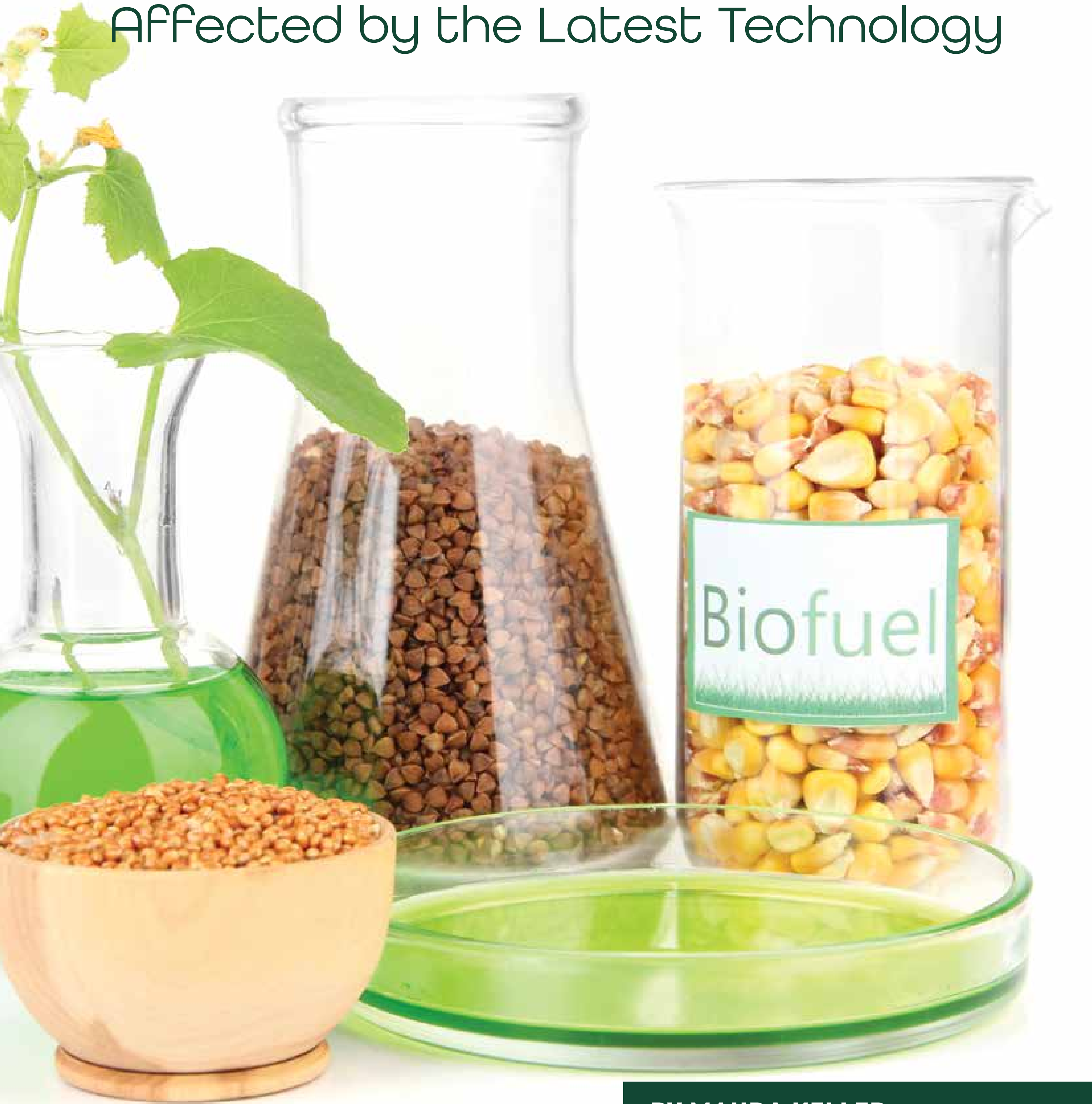
THE EV EFFECT:
How Alternative Fuels Are Being Affected by the Latest Technology



BY MAURA KELLER

Not surprising, EVs are transforming the automotive industry in a myriad of ways, including offsetting consumers' reliance on traditional fuels. But what about alternative fuels? How is the growing adoption of EVs affecting the public's perception and attention on biofuels or hydrogen fuel cells within the transportation sector, especially the long-haul industry where electric vehicle technology is still developing?

Jackson Haskell recently joined Guardian Fueling Technologies, a 700-person gas station and private fueling integrator in the Southeast, as the director of EV infrastructure to accelerate the company's position in the EV charging market and provide solutions for gas stations, fleets, and commercial properties. From his experience, Haskell says alternative fuels will certainly play a role in the reduced-carbon transportation future that is mandated and subsidized by the federal government. In fact, government policies and incentives aimed at promoting alternative fuels indirectly impact EV adoption across all transportation sectors.

"That said, I have heard from several insiders at vehicle OEMs and drivetrain manufacturers that 'the writing is on the wall in favor of EVs', meaning that research and development money is best spent on electric platforms because the regulations and funding favor that technology," Haskell says. "The government can offer carrots (grants), but will also wield a stick (mandates)." However, the continuous development of infrastructure for alternative fuels, such as biofuel distribution networks or hydrogen refueling stations, may also affect EV infrastructure initiatives.

Ed Bernardon, vice president of motorsports and racing strategy at Siemens, is an expert in alternative fuels, EVs, and the future of transportation. Bernardon says alternative fuels play a critical role in the landscape of sustainable transportation, even as electric vehicles (EVs) gain prominence.

He points out that the diversity of alternative fuels, including biofuels, e-fuels, and hydrogen, complement the growth of EVs by offering solutions that cater to different energy needs and infrastructure capabilities.

"The main arguments for biofuels and e-fuels are that they have high-energy density and are 'drop-in' fuels," Bernardon says. "This means they can be used in existing infrastructure and vehicles, whereas EVs require heavy battery packs and significant infrastructure development to re-charge."

So what alternative fuels are at the forefront within the fuel industry and continue to capture consumers' attention even at EVs are making inroads in the industry?

Haskell points to hydrogen as one alternative fuel that is receiving a great deal of attention, given the R&D efforts needed to commercialize and standardize hydrogen fueling solutions and the vehicles themselves.

"More complexity means that more attention and investment will flow to hydrogen," Haskell says. "I personally think that renewable diesel and biodiesel are likely to come quickly to market at cost parity, and allow for immediate carbon reductions in fleets. But again, insiders have told me that they are gap technologies, and that electric drivetrains and fueling are federally favored."

Furthermore, Bernardon says biofuels, e-fuels, and hydrogen stand out as leading alternative fuels that are captivating consumer interest. Biofuels derived from processes involving agricultural, waste, and other organic materials can significantly reduce emissions and easily integrate with existing infrastructure.

"E-fuels are 100% carbon neutral as they are produced using renewable electricity, water, and CO2 scrubbed from the air. However, mass adoption is far away due to high production costs. On the other hand, hydrogen, when combusted, produces water as exhaust," Bernardon says. "This could potentially revolutionize sustainable transportation in the eye of the consumer if significant infrastructure investments are made."
Dr. Joseph Powell is the Aspire Endowed Executive Director & Shell Endowed Chair for Energy Transition, and professor at the William A. Brookshire Department of Chemical and Biomolecular Engineering, National Academy of Engineering at the University of Houston.

According to Powell, EVs have made tremendous progress in battery performance and cost reduction, but still remain at a higher cost and require subsidies. For heavy-duty transport (class 8 or drayage trucks at port), they require much longer recharging time (two hours) versus current internal combustion engines or hydrogen (20 minutes), have shorter ranges, and a substantial portion of cargo weight (1/3) is taken up by batteries, so it takes more EV trucks on the road to move the same amount of goods, which can be a congestion problem.

"Hydrogen is the top competitor to battery electric offering rapid refueling, range, and cargo capability equivalent to ICE, zero emission, but its vehicles are limited in supply, expensive (three to four times greater than current internal combustion engine vehicles) which is a problem for small business owner/operators," Powell says.

California has proposed bans on diesel engines for heavy duty drayage trucks (ports), first banning all by 2035, then easing to ban the sale of new diesel by 2035. As Powell explains, hydrogen is the only zero emission alternative in competition with battery electric, for these scenarios. ►

However, hydrogen requires substantial distribution infrastructure (stations for light-duty vehicles cost more than $2 million), and hence is more difficult to roll out than battery electric, but they have the above advantages if the infrastructure is invested in.

"Battery electric vehicles are two times more cycle efficient than hydrogen: Some energy is lost in making hydrogen from renewable power, such that it takes twice as many wind or solar farms for the same performance," Powell says. "But it then outperforms battery electric trucks in recharge time, freight capacity."

The Long-Haul Segment

Certain types of alternative fuels are being used within the long-haul industry, which may impact the role EV technology will play in this industry segment. Alternative-fueled vehicles are growing in popularity with fleets experimenting with compressed natural gas (CNG), battery-electric trucks, liquefied natural gas (LNG) and some trucking companies are even starting to look at hydrogen fuel cell vehicles. As Bernardon explains, CNG is less costly than gasoline and diesel due to low natural gas prices and produces significantly lower emissions versus diesel. LNG trucks also emit lower levels of greenhouse gases and provide longer driving ranges than CNG trucks, but the infrastructure for producing, storing, and distributing LNG is still developing.

Haskell believes the "ball has been called" by regulators and incentive writers in favor of EV technology and, to a lesser extent, hydrogen fueling.

"Long-haul trucking is having neutral to good results with electric semis, which is likely to encourage others to invest in EV pilots," Haskell says. "Once there is a critical mass to EV, the investment costs in R&D for other fuel solutions will likely dry up."

Bernardon adds that battery electric trucks are only slowly gaining traction in the trucking industry due to limited range and charging infrastructure.

"Longer term, battery innovations will be needed like solid-state batteries that have shorter charging times and greater range in order to replace other alternative fuels," Bernardon says. "Trials are also beginning with hydrogen fuel cell trucks that produce zero emissions, however high hydrogen production costs and limited refueling infrastructure limit widespread use." Powell further points out that we can make drop-in e-fuels from CO_2 and hydrogen, or use biomass or first gen biodiesel to make diesel fuel that can be used to replace diesel.

"However, these are still hydrocarbon fuels and they create smog, particulate matter, and are not zero emission," Powell says. "So these fuels will be most likely be used for aviation fuel (bio or synthetic), as local air quality is, for the most part, not an issue for air travel, and the very high energy density of hydrocarbon fuels is needed for the large power requirements of jumbo jets."

Powell notes that it takes two times more wind and solar farms to make this fuel from captured CO_2 and H_2 – so even more energy than using zero-emission hydrogen for the medium power density applications, like trucking.

"OEMs had asked the oil industry whether synthetic fuels could be made to avoid the need to switch to hydrogen or battery electric. The answer is 'yes it can,' but the amounts of energy needed are high (four times more than battery electric vehicle, two times more than hydrogen) and the vehicles still have emission problems," Powell says. "So, battery electric vehicles and hydrogen fuel cell vehicles are the longer-term answer for trucking, and if a hydrogen roll out for trucking occurs, there may be lower prices for use of H2 in light-duty vehicles also."

Key Challenges

Not surprising, there are key challenges with alternative fuels that will require an evolution of sorts for them to be more fully embraced by consumers, as well as long-haul industry players. As Haskell points out, the formula for market adoption is simple, total cost per mile. Since EVs have a reduced maintenance cost, they have an advantage over any combustion technology.

"The total cost per mile is likely to stay higher for a few years, but subsidies and adoption mandates (as a percentage of fleet) will push the cost of ownership in favor of EVs," he says. Also, as Haskell explains, hydrogen is off to a rocky start. Its use as a retail fuel is called into question with the shut-downs of hydrogen stations and the failure of passenger cars.

"We'll see how feasible it is for trucking, and other long-range transportation. If batteries continue to get cheaper, smaller, and lighter, R&D-heavy hydrogen technology will become much less appealing," Haskell says.

From Bernardon's viewpoint, the greatest challenges involve the trade-off of emission reduction, cost, and infrastructure inherent to a specific fuel. Ethanol is a drop-in fuel that could have a major impact on emissions but would lead to less corn for animal feed, raising costs for farmers that would be passed on to consumers. Biodiesel also reduces the carbon output of engines but storage issues occur at temperatures below 45°F as it tends to become a thick gel that can clog fuel lines and filters. "Widespread adoption of battery electric vehicles requires advancements in battery technology to improve range combined with nationwide charging infrastructure," Bernardon says. "Hydrogen, in all cases, has zero emission however major infrastructure investment will be required to dispense hydrogen gas safely and conveniently."

Looking ahead, alternative fuels will continue to provide potential for significant benefits in many areas. Bernardon says that over time they are certain to become a major source of power transportation, for instance:

• As we seek to reduce U.S. dependence on foreign oil sources, there is a significant benefit to considering alternative fuels that can be produced domestically. Since alternative fuels are produced from renewable resources they promote sustainability and a reduced environmental impact.

• With nearly every major country seeking to reduce its greenhouse gas emissions, alternative fuels are a solution that will remain as a choice to help meet emission reduction mandates.

In the end, industry and government will need to work hand in hand to drive mandates, regulation, and the need for investment to develop required technology innovations and infrastructure.

"Motorsports and racing have a history of innovations that have later been adopted by the automotive industry and motorsport is also adopting alternative fuels. For instance, Formula 1 is currently using E10 fuel which is 10% carbon neutral and in 2026 new regulations will require 100% e-fuel to run in a power unit that is 50% electric," Bernardon says. "Indy cars, beginning in 2023, used a 100% renewable fuel consisting of a blend of second-generation ethanol derived from sugarcane waste and other biofuels that reduced greenhouse gas emissions by 60% compared to fossil-based gasoline. Even NASCAR has used 15 percent bioethanol fuel since 2011 which has led to a 20 percent reduction in greenhouse gas emissions across the organization's three touring championships. Series such as Formula E and Extreme E have 100% electric powertrains and are powered by batteries and even hydrogen."

However, Haskell says that unseating 100 years of gas and diesel vehicle technology, even with aggressive regulation and mandates, will require massive investment in R&D, and extensive pilots and real-world testing. "Many in the petroleum business are hesitant to engage with EVs and electric vehicle supply equipment (EVSE)," Haskell says. "I understand resistance to mandates and regulations, but ignorance of them will result in painful, accelerated transitions which will be very expensive, since subsidies and grants may be gone. This is just beginning now." ★

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Can Continuous Wet-stock Inventory Reconciliation (CR) Help to Tame the Fuel Profitability Monster?

BY TONY CAPUTO, WARREN ROGERS PRECISION FUEL SYSTEM DIAGNOSTICS

In today's retail fuel industry, numerous factors can impact efficiency and profitability. Concerns such as theft, delivery shortages, inaccurate meter calibration, equipment tampering, and equipment failure are all legitimate worries for operators. Most fuel retailers prefer to be promptly informed about these issues rather than discovering them at the end of the day, week, or month. However, many lack the necessary technology or accounting processes to receive timely alerts regarding loss-related issues, if they receive any alerts at all. Consequently, numerous fuel retailers resign themselves to the belief that "loss is inevitable" in the fuel business, resulting in significant annual write-offs due to "fuel shrinkage."

Fortunately, current hardware and software solutions, complemented by expert third-party assistance, offer avenues to attain a more accurate and comprehensive understanding of retail fuel operations. Modern monitoring solutions can scrutinize even the smallest fluctuations in inventory, unusual driver behavior, dispenser inactivity, and other patterns. These insights are invaluable as they can help identify compliance issues and mitigate profit reductions. At its most basic level, in an ideal scenario, there exists an equilibrium between the fuel delivered to a fuel station's tanks, the amount dispensed, and what remains in the tanks by day's end. Any deviations from this balance typically yield adverse effects on the financial outcome. Regrettably, numerous risks are constantly present in the operations of a functioning convenience store or travel center. For fuel operators managing dozens or even hundreds of locations, the cumulative financial impact can swiftly reach into thousands or even millions of dollars. Each risk poses the potential for undiscovered or challenging-to-detect financial losses for the business.

The potential sources of loss on an Underground Storage Tank (UST) can be numerous. A few of the more-common sources include:

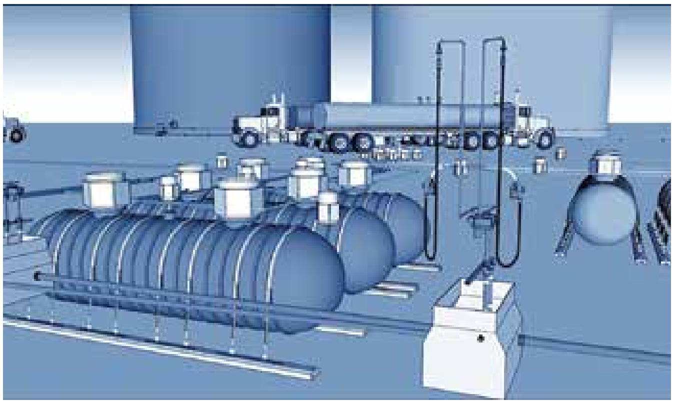
Leaks or Breaches: Corrosion, mechanical damage, or faulty components can lead to leaks or breaches in the tank walls or fittings.

Fuel Delivery Shortages: Fuel operators rely on tank monitors or ATGs to track fuel deliveries, but these readings often overlook crucial factors such as fuel sold during the drop, temperature differentials affecting volume, transporter errors, terrain slopes hindering complete emptying, metering variances,

and potential theft in route from terminal to location. A single instance of a 500 gallon delivery shortage can cost an operator $1500 in today's dollars.

Theft Concerns: Conventional accounting systems may detect shortages or theft, but often after days or weeks. Theft can happen at dispensers, during delivery, or directly from the USTs. Identifying the source of loss becomes challenging, leading to costly and time-consuming investigations. Creative thieves have now learned how to manipulate "meter pulsars" in fuel dispensers or obtain override devices to place dispensers in stand-alone or maintenance modes. Losses can be enormous and repetitive if not caught quickly. The theft of 300 gallons in a single instance can cost a retailer over $900 in losses. Unfortunately, these thefts become repetitive at the operators with no system in place to catch such abuse.

Meter Drift: Dispensing points for each grade require accurate metering devices, typically within 5 cubic inches (98%+ accuracy) to avoid regulatory fines and stop orders. Deviations outside this range, particularly if a dispenser is withholding product, can result in customer shortages and legal consequences. Allowable ranges can be from zero to 5 cubic inches to the positive side for your customers (giving away product). A standard measurement of the volume of fuel is 252 cubic inches per gallon. 5 cubic inches is equivalent to 2% of volume loss. Dispenser meters can often exceed this range, resulting in additional fines or "red tagging" of dispensers from government inspection agencies. A dispenser meter that suffers a meter "blowout" can quickly over-dispense enormous amounts of fuel product for days or months between calibration checks. Some of the more savvy operators feel confident in their annual calibration programs, but a meter discrepancy can begin the day after such inspections and go on until the next check, costing thousands in lost profits. Continuous reconciliation can detect variances in a fuel system, isolate to certain dispensers, and diagnose when meter drift appears to be excessive.



Overfilling: Filling a tank beyond its capacity can cause spillage, which leads to loss of fuel and potential environmental contamination.

Tank Corrosion: Corrosive elements in the soil or water can cause the tank material to degrade over time, leading to leaks or structural failure.

Improper Installation: Poor installation practices can result in inadequate seals, connections, or structural integrity, leading to potential leaks or failures.

Equipment Failure: Malfunctioning components such as valves, gauges, or monitoring systems can lead to loss if not promptly detected and repaired.

Environmental Factors: Natural events such as floods, earthquakes, or ground settlement can damage tanks or associated piping, leading to leaks or failures.

Incorrect tank charting or tank monitor programming: While the impact can be "paper-related," improper tank charting, tilt, or tank monitor configurations can lead to large daily variances affecting estimated delivery amounts, supply needs, inventory-tracking variances, profit write-offs, and more. These variances can also desensitize accounting departments, allowing for the acceptance of larger and larger discrepancies before prompting investigation. With traditional inventory accounting methods, unless the fuel is bubbling out of the ground, the detection of a fuel loss can be weeks or months after the event occurs. Often, when the loss is suspected, no specific source of the loss is indicated, leading to investigative time and costly testing to diagnose the cause, if one truly existed.

Investigating and diagnosing the true cause of the loss can consume large amounts of accounting, maintenance, and compliance staff time. Examples of reactive testing can include on-site tank and line leak testing, invasive tank inspections, shutdown of the fuel system for static testing, probe pulls and replacement, and more. Not to mention the regulatory paperwork time involved.

Often, the equipment can be found to be operating as required with no source of the suspected loss discovered. After so many similar events, accounting departments may be instructed to set a limit on shortages to bring to the attention of the maintenance or environmental departments. This can lead to those departments overlooking potentially serious events that could lead to environmental damage or serious financial loss. ►

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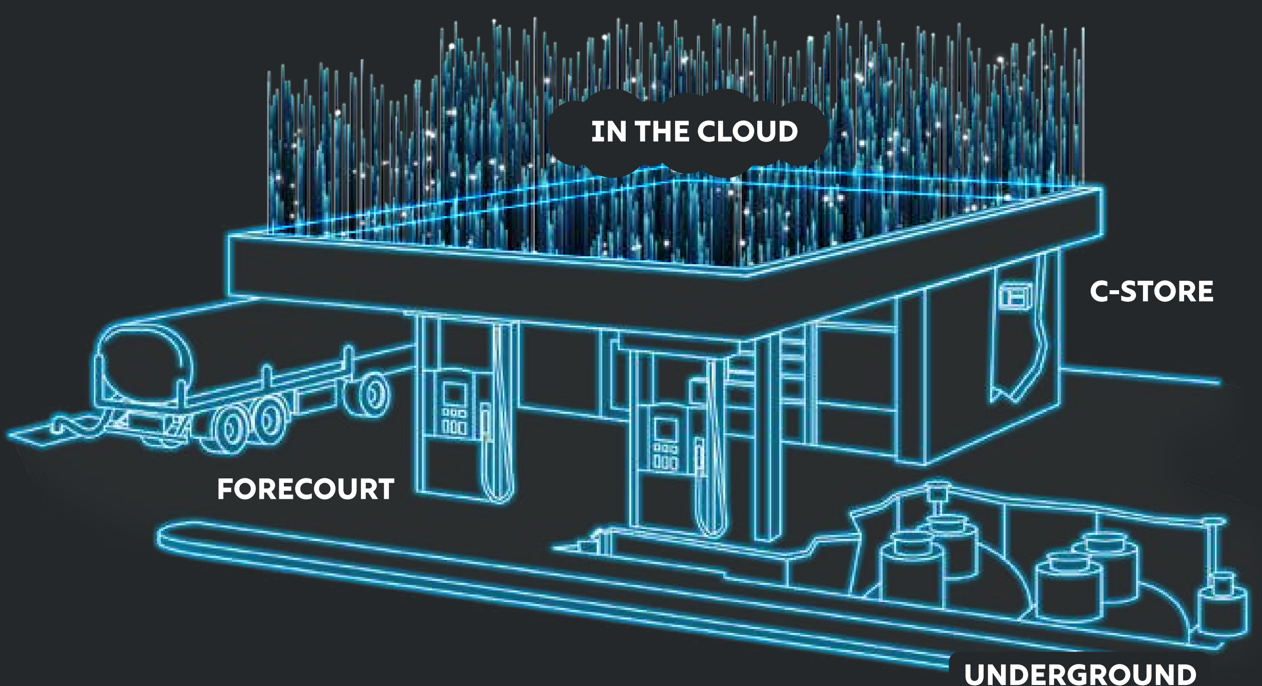

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CAN CONTINUOUS WET-STOCK INVENTORY RECONCILIATION (CR) HELP TO TAME THE FUEL PROFITABILITY MONSTER?

Continuous reconciliation (CR) has the capability to catch many of the losses noted above. While no leak or loss can be prevented, learning of the loss, and taking corrective action can dramatically lower the ultimate cost. CR can be especially ideal for any fuel operator wanting to remove the variances and losses from their wet-stock inventory management program. CR can provide an optimal solution for older and/or higher volume sites equipped with automatic tank gauging systems (ATG) and advanced dispenser pump controllers. CR can also provide the operator with both tank and line leak detection and help to ensure their system is sound and above detectable loss limits.

With CR in place, after the completion of every fueling transaction, simultaneous observations of elapsed sales and associated tank system product heights and temperatures are recorded. Continuous reconciliation can identify operational problems as they occur with pinpoint accuracy. More-robust CR solutions can be certified to provide the EPA leak detection monitoring for complex manifold tank systems up to 100,000 gallons in capacity and 2.7 million gallons of monthly throughput. Often, many of the automatic tank gauges in use today for tank and pipe leak detection are certified only up 10% of this capacity. CR solution providers can also provide expert analyst monitoring to fuel operators to alert them to fuel system anomalies and assist with troubleshooting. Expert assistance can help to minimize the impact of fuel losses, no matter the source, as well as reduce downtime when investigations and repairs take place.

In today's modern fuel stations, they are often equipped with high-tech sensors and interstitial monitoring on tanks and lines. Keep in mind that their primary purpose is to assist with prompt-leak detection, not necessarily other forms of loss detection. Catastrophic leaks should be detected if the equipment remains fully operational and proactive action is taken when alarms take place. However, sensors and interstitial monitoring will not alert the operator to the most-common sources of fuel profitability loss around delivery shortages, pulsar manipulation, meter drift, and other anomalies. Sensor and sump monitoring are extremely valuable to detect fuel system equipment failure, but not the other costly sources of fuel loss.

Often, fuel retailers rely upon back-office accounting systems, Statistical Inventory Reconciliation (SIR), or 1%+ 130-gallon reporting to curb their fuel-related inventory losses. Many operators feel that having these systems in place can minimize the losses that occur. However, a site selling 100,000 gallons a month can have an allowable loss of 1,130 gallons of inventory and still meet the 1% +130-gallon loss threshold for monthly reporting.

While large losses can be detected using traditional accounting, SIR, and 1%+130 reporting, the source of the loss may remain unknown, leading to an avalanche of possible paths to research and costly reactions, including 3rd-party tank and line leak testing, meter calibrations, dispenser replacements, and repair downtime at the fueling location.

In summary, the many sources of fuel loss can quickly drain your profits and lead to time-consuming investigation costs. This can distract company personnel and lessen the time they can address other serious issues. With continuous reconciliation in place, a fuel operator can quickly lower losses and take more profitability to the bottom line. The hard and soft benefits of continuous reconciliation for both older and new fuel locations can well exceed the ROI on many other services. ★

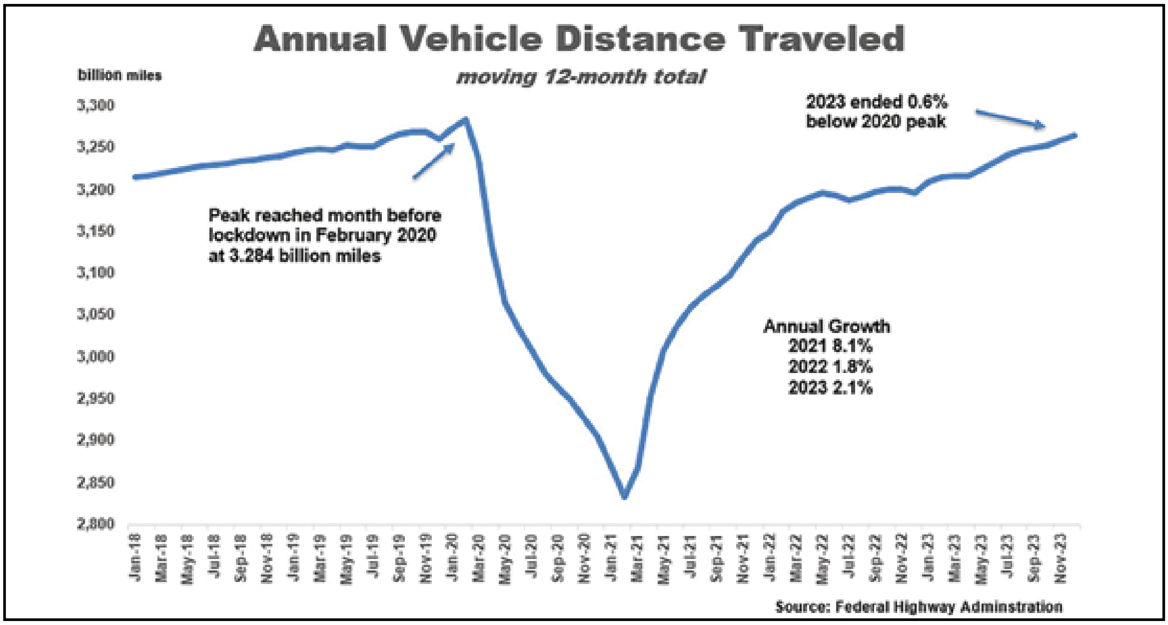
Tony Caputo has worked in the fuel, convenience, and grocery industry for over thirty years, holding a variety of corporate and division leadership positions at The Kroger Co., Kroger SPG & Convenience Group, and EG America. He has extensive background and experience in marketing, merchandising, risk 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.

Tony can be reached at tcaputo@warrenrogers.com and (M) 540-314-6210.

Taking Stock of the EV Movement

BY BRIAN L. MILNE, DTN EDITOR, ANALYST



Gasoline consumption in the United States likely peaked in 2018 despite an ongoing increase in vehicle miles traveled on U.S. roadways, which grew 2.1% year-on-year in 2023, according to the Federal Highway Administration. The combination of improving vehicle efficiency and electric vehicle sales is tamping down gasoline consumption despite population growth, with tightening environmental regulations and federal tax incentives teaming up to safeguard the trend.

"In 2020, around one in 25 cars sold worldwide was electric; just a few years later, in 2023, it was one in five. EVs are now at the heart of most automakers' strategies for the future. Together with the rapidly increasing investments going into battery manufacturing, this makes a U-turn away from them improbable and impractical," said Fatih Birol, executive director at the International Energy Agency, in late March.

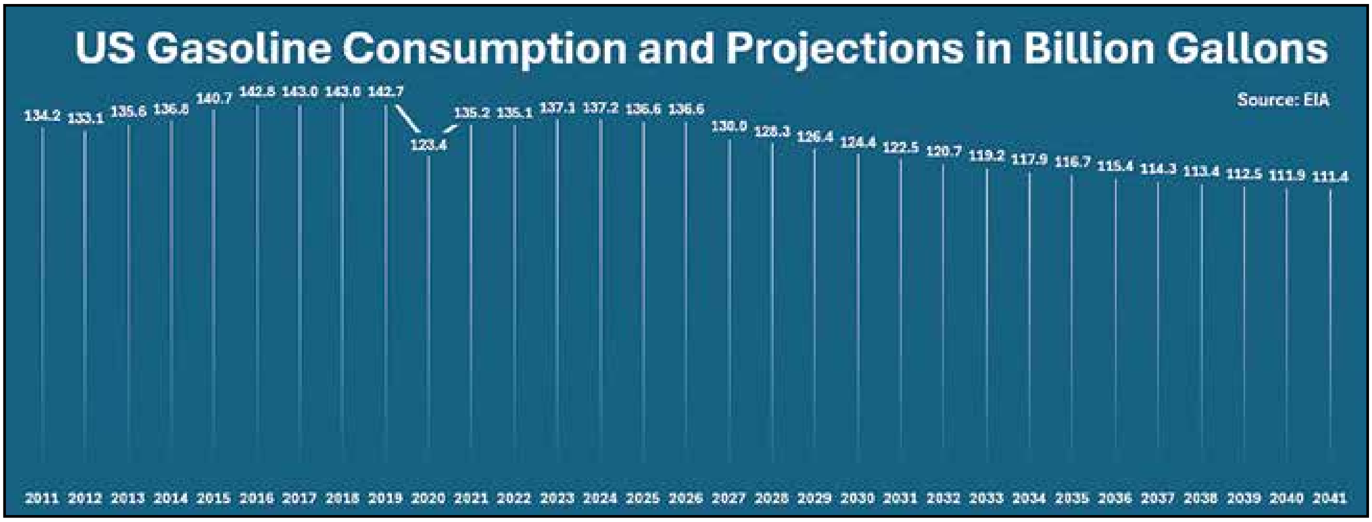
Four days earlier on March 20, the U.S. Environmental Protection Agency released its final rule for "Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles" that accelerates the trend to EVs. In the early years of the rule, the agency charts a more gradual transition to EVs by including plug-in hybrid electric vehicles (PEVs), which use both gasoline and battery-generated electricity to power a vehicle, in its classification of EVs. In its rule, EPA cited analysis of the effect the Bipartisan Infrastructure Law and Inflation Reduction Act would have on market penetration of PEVs.

"Researchers from Harvard University, MIT, and Cornell University examined the effects of subsidies and tax incentives provided by the BIL and the IRA to promote plug-in electric vehicle sales and the deployment of charging infrastructure. This study predicted plug-in electric vehicle sales shares of 55 to 58 percent in 2030 when both sales and infrastructure subsidies and incentives were considered," said EPA.

Analysis by the U.S. Department of Energy's Office of Policy projected zero emissions light-duty vehicle sales would account for 49% to 65% of new vehicle sales by 2030 while the IEA estimates a 50% market share. Bloomberg's EV Outlook for 2023 projected a nearly 28% share of passenger PEVs by 2026.

"[A]s the EPA GHG standards have increased in stringency, automakers have relied to a greater degree on a range of electrification technologies, including idle stop-start, mild hybrid electric vehicles with a belt integrated starter-generator, hybrid electric vehicles (HEVs) and, in recent years, plug-in electric vehicles (PEVs), which include plug-in hybrid electric vehicles (PHEVs) and battery-electric vehicles (BEVs)," said EPA.

"Q1 2024 has shown a 4.5% increase in year-over-year sales. Hybrids are the trend that consumers are wanting," according to Good Car Bad Car. Hybrids capture the "reliability and familiarity of gas power [and] fuel savings of electric power." ▶



Edmunds, which provides consumers advice on vehicle purchases, notes EV sales rose to a 6.9% new vehicle market share in 2023 from 5.2% in 2022, but projects a slower uptake in 2024, predicting EV sales will account for an 8% market share this year. A 2024 Edmunds EV Sentiment Survey highlights the challenge in moving to EV, with the primary obstacle to greater EV sales penetration being cost.

Edmunds found 47% of consumers considering an EV are seeking a purchase price below $40,000, 22% of which desire an EV with a retail price under $30,000. Edmunds notes there are no EVs with a manufacturer's suggested retail price below $30,000, and only four models priced less than $40,000. Edmunds said its data shows the average transaction price for an EV in 2023 was $61,702 which compared against all other vehicles with an average purchase price of $47,450.

Consumers most willing to purchase an EV are likely least able to afford an EV, finds the study, noting 90% of 18- to 24-year-olds would consider an EV and 83% of those aged 24 to 34. Among existing vehicle owners, those with pickups are least likely to consider an EV.

The slower transition to EVs has a more gradual effect on gasoline consumption. During model year 2027, when the rule takes effect, EPA estimates a 0.05% reduction in gasoline consumption against the Energy Information Administration's baseline projections found in EIA's 2023 Annual Energy Outlook. The reduction is estimated at 0.37% for 2028, 1.11% for 2029, 2.33% in 2030, 3.92% in 2031, and 5.72% in 2032.

Of course, lost demand has a cost for the gasoline industry. EPA puts the pretax loss factored at the retail level at $40.84 billion over the 2027-2032 six-year period.

Consumers' savings on their gasoline purchases could trigger the rebound effect and drive more, said EPA, with increased travel producing both social and economic opportunities.

The "rebound effect might occur when an increase in vehicle efficiency makes it possible for people to choose to drive more without spending more because of the lower cost per mile of driving," said EPA. "Additional driving can lead to costs and benefits that can be monetized."

This is called the "drive value benefit." EPA estimates that over the six-year period from 2027 to 2032, the drive value benefit is $605 million.

"The economic value of the increased owner/operator surplus provided by additional driving is estimated as one half of the product of the fuel savings per mile and rebound miles," said EPA, noting the fuel savings will differ among vehicles.

Leaving aside increased costs for electricity consumption, not to mention the viability of an aged and strained national power grid that has already led to blackouts in large population centers, are other costs lurking?

"Under the final standards, there is a small change projected in total new [light-duty] vehicle sales compared to sales under the No Action scenario for each year under from MY 2027 through MY 2032," explains EPA. ▶

Table 227: Total new LD sales impacts in the final rule

Year	No Action	Final Rule	
	Total Sales	Total Sales	Change from No Action (%)
2027	16,046,000	16,017,000	-29,000 (-0.18%)
2028	15,848,000	15,790,000	-58,000 (-0.37%)
2029	15,923,000	15,840,000	-83,000 (-0.52%)
2030	15,792,000	15,670,000	-122,000 (-0.78%)
2031	15,669,000	15,534,000	-135,000 (-0.86%)
2032	15,585,000	15,442,000	-143,000 (-0.92%)

The American Petroleum Institute (API) and American Fuel and Petrochemical Manufacturers (AFPM) trade organizations strongly disagree.

"This regulation will make new gas-powered vehicles unavailable or prohibitively expensive for most Americans," said API President and CEO Mike Sommers and AFPM President and CEO Chet Thompson. "For them, this wildly unpopular policy is going to feel and function like a ban."

By 2032, they note the fleetwide average tailpipe emissions standard will be 85 grams per mile. They explain currently only EVs, and five PHEVs meet the standard.

"This standard is designed to force electric vehicle (EV) adoption and have EVs account for the majority of new car sales by 2030," said Sommers and Thompson.

When considering costs, EPA does not calculate the loss of freedom of choice.

"EVs still struggle to captivate the mainstream market," Edmunds found in its survey, noting "new technologies typically undergo a gradual acceptance curve before more than just early adopters jump in." ★

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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Innovation Can Provide a Sustainable Answer

BY JOHN EICHBERGER, TRANSPORTATION ENERGY INSTITUTE

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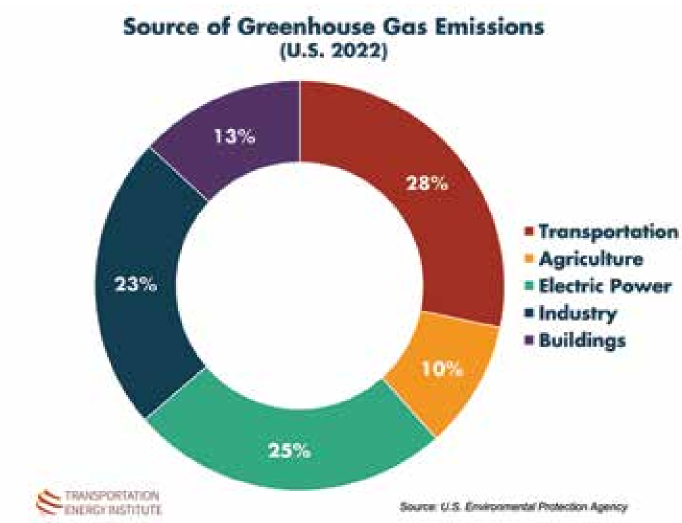
When seeking solutions to a vexing problem, I believe it most helpful to enlist the services of as many smart people as possible so they can evaluate all viable options and help identify a path to embracing sustainable solutions. This approach seems to make sense to me, and is the one embraced by the Transportation Energy Institute in the composition of our membership, our research agenda, and the content of our annual conference, where all voices and perspectives are welcome and encouraged. [See TransportationEnergy.org for more information] Unfortunately, this iterative and inclusive process takes time, requires exploration of a variety of ideas, and does not provide expeditious closure for those who might be most concerned about the issue being addressed. This protracted approach is anathema to some who are seeking immediate impactful solutions, but it is not an exclusionary approach and does not negate the benefits of working on any solution. The counterweight to an inclusive, rigorous scientific process is adherence to a single solution that eclipses all other options in its pursuit and casts a dark shadow that stifles innovation. It is inherent to all of us to continue to seek sustainable solutions, embrace all opportunities, and support a process that inspires innovation.

Climate Change and Transportation

Elected leaders in 164 countries (as of 2017, 84% of all countries had a climate change set of policies) are highly concerned about climate change, as are many of their constituents, and they are specifically focused on the greenhouse gas (GHG) emissions that come from the transportation sector. Why?

First of all, transportation is responsible for a significant share of GHG emissions as well as other air quality impacts. Depending on what data you review, we can say with confidence that transportation contributes 25% - 35% of GHG emissions in United States and Canada. So, there are facts to support the focus on transportation. But there is so much more to it than that.



Politicians must speak in a simple language that resonates with their audience. We live in an era wrought with short attention spans where sound bites effectively compete with lengthy explanations. They feel they have to avoid overly complex solutions or obscure references because they will lose the attention of the voters. We can safely assume that nearly every person has experienced emissions from the tailpipe of a vehicle. Far fewer have been in proximity of a power plant, a cement factory, or other major industrial facility. Therefore, a politician feels confident that blaming GHG emissions, and thereby climate change, on the tailpipe of the vehicles will resonate with the constituency that is listening – it is simple, relatable, and there is sufficient supporting data that can be thrown at the statement. Hence, transportation becomes an even more attractive target.

Taking a Short Cut

The majority of voters are impatient to see leaders take action and politicians want to be seen as responsive to the concerns of their constituents. Therefore, explaining the complexities of decarbonization and turning to scientists and engineers to come back with options is not consistent with some definitions of demonstrative leadership. This impatience forces them ▶

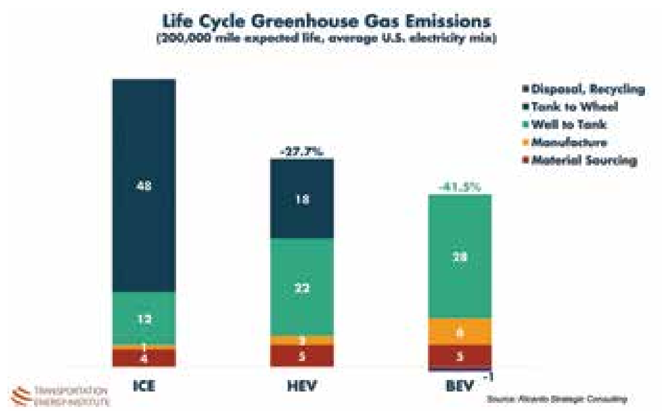
to seek solutions that fit into a quick sound bite. Regarding transportation and climate change, this resulted in policies designed to eliminate tailpipes, promote electrification, and migrate away from existing solutions.

Let's be clear – electric vehicles are a great technology and will play a major role in the future of transportation. They are fun to drive, less expensive to operate, can help reduce emissions, and will become a significant part of the transportation market for decades to come. They are a fantastic choice for a lot of drivers. But it is disingenuous for someone to say with a straight face that they are zero emissions and the only viable path to decarbonize transportation.

We must address carbon emissions wherever they originate, not just at the tailpipe. Our life cycle comparison report published in 2022 showed that a battery electric vehicle (BEV), when charged with electricity that matches the average carbon intensity of the U.S. grid, could reduce GHG emissions by about 41% compared with an internal combustion engine vehicle (ICEV) over a 200,000-mile lifetime. This is a significant improvement and should not be dismissed, but it is not zero. (Note that traditional hybrid electric vehicles emit nearly 28% fewer GHG emissions over their lifetime, also not an insignificant reduction.)

The Consequences

Governments the world over have implemented policies to support electrification of the transportation system, and to date they have been modestly successful. A key objective of most policies is to accelerate the price competitiveness of these



vehicles with traditional ICEVs and to build out a reliable recharging infrastructure to assure drivers they will always have access to transportation energy. In terms of supporting innovative technology, these approaches make sense.

But problems arise when governments take it a step further and marginalize any solution that does not fit this narrative, such as when jurisdictions seek to ban the sale of internal combustion engine vehicles and, by consequence, reduce investment in research and development for such engines and their appropriate fuels. By adopting policies that exclude other decarbonization solutions, these leaders are stifling innovation and putting all our eggs into one basket. My questions amount to the following:

- What solutions will exist if the aspirational goals of existing policies are not achieved, and alternative solution development has not been supported? ▶


MARATHON

- If all expectations are placed on replacing the existing global fleet (1.5 billion vehicles) with a new technology, how do we address the emissions being generated in the meantime?
- How can we ensure all communities, regardless of income or infrastructure capabilities, retain access to affordable, reliable, and cleaner transportation energy as we make this transition?

This is why innovation is so important. Perhaps single-solution policies can be successful and achieve the desired results, but that is a big risk if we shut the door to any alternatives that might provide emissions reductions that can be achieved earlier and benefit more communities. We can and should pursue both near- and long-term solutions.

Optionality

Our goal is to reduce emissions – GHG and air pollutants. This is a great goal that we can all support. How we get there needs to be open to as many viable options as possible. Yes, we should be supporting and bringing to market new technologies, but at the same time we should be exploring new energy options that might be applied to the existing 280 million ICE vehicles in the U.S. today.

Think back to 20 years ago. Electric vehicles were not considered viable and were rarely discussed. Even 10 years ago, the U.S. Energy Information Administration projected in its Annual Energy Outlook that EVs would represent less than 1% of sales by 2040. Times, conditions, and circumstances change. Who's to say that a solution that seems an unrealistic long shot today might not become the shiny new viable solution in 20 years? Should we not aspire to have that option available? I think so, but even in this scenario, we cannot wait 20 years – we need near term solutions, like low carbon liquid fuels that can be used in the world's 1.5 billion vehicles, while we explore long term options.

We should be embracing options. We should throw the doors open to smart people who have ideas, invite them to sit at a very large table with a lot of other smart people, and explore every solution available to us today and down the road. If we allow our future to be constrained to just one idea, our chances of achieving our goals will be greatly reduced. If we create this level of collaboration, under the single purpose of sustainably reducing GHG emissions, then we may, in fact, find that shiny new viable solution in five years rather than 20.

This is why the Transportation Energy Institute, during the first half of 2024, is publishing reports on electric vehicle infrastructure, biofuels economics, and e-fuels. It's why we published reports last year on decarbonizing combustion vehicles, electric vehicles, biofuels, and consumer behavior. And its why every year at our annual conference, we feature a diversity of perspectives to explore the options that might be available to the market, that can achieve our emissions objectives while preserving access to affordable and reliable transportation energy for all drivers.

Join the conversation –give us a call to find out how to engage in the research process and our industry discussion groups. ★

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.

A PRACTICAL GUIDE TO REPUTATION MANAGEMENT IN TODAY'S ONLINE WORLD

BY MAURA KELLER

A good reputation is a key component to success in business and in life. Companies that put forth a solid reputation can experience ongoing growth, recruit better quality team members, and experience more success with less money spent on marketing initiatives. But today's reputation management strategies are far more robust and complicated than those public relations programs of even a few years ago – thanks in part to the evolving role that online platforms play in a company's reputation.

"Social media is playing a larger role than ever before in reputation management," says Sally Bannerman, director of product marketing at ICUC, a social media and community management agency. "It has transformed from a backseat task to a priority."

With the widespread accessibility and adoption of social media platforms, companies of all sizes are tuning into the chatter on these platforms 24/7. As Bannerman explains, they're not just listening, they're engaging – addressing concerns, celebrating wins, and sometimes, owning up to their mistakes.

"It's about building a transparent, trustworthy relationship with consumers," Bannerman says. "In a world where a video can go viral in a few minutes, staying on top of your social media game is not just smart – it's essential."

Indeed, online reputation management is often a core piece of modern business strategies. It's the lens through which potential customers view your brand. As Bannerman further points out, a company's online presence is the first impression, relationship builder, and customer service hub all in one. It can play a role in search engine optimization (SEO) efforts, content marketing, and influencer campaign strategies.

"We've seen teams innovate new ideas based on direct customer feedback found in reviews on sites like Google Business and Yelp," Bannerman says. "The direct voice of the customer can create a powerful narrative when leveraged and used to inform a company's overall strategy."

Changing Roles

Historically, public relations techniques including traditional press releases and/or sharing news on company web sites. But in recent years, there has been a significant shift towards prioritizing online reputation management over traditional methods such as print media, billboards, and direct mail campaigns to shape public perception and generate brand awareness.

Here's why: Online platforms offer unparalleled reach, immediacy, and engagement.

"They allow brands to cross borders and time zones in a heartbeat, engaging with their global audience from the comfort of their office," Bannerman says. "These platforms provide real-time feedback and data that traditional metrics can only dream of. This means we can tailor our messages, track our impact, and tweak our strategies on the fly, ensuring we're always hitting the mark with our audience."

According to Maria Nelson, vice president of Red Shoes, an advertising and marketing company, reputation management, once primarily fielded through traditional media and public relations, has become more complex with the rise of social media and crowd-sourced review platforms, enabling the rapid spread of unchecked information. That means companies, including those within the gasoline marketing space, need a more dynamic approach to reputation management to proactively address issues and retain clients and customers.

"Additionally, the evolving online landscape makes crisis communication plans even more critical as one seemingly small decision in the midst of a reputation crisis can lead to major consequences," Nelson says.

Right now, she sees many brands that are concerned about their online reputation. Rightfully so, because online reviews or stories can quickly take on a life of their own and may or may not be rooted in the truth.

"In addition to monitoring external perceptions, companies are also monitoring the internet to keep an eye on their internal processes and employee satisfaction," Nelson says. "This proactive approach allows them to identify areas for improvement from within and take necessary steps to remedy them, ensuring a positive work environment and, by extension, a more robust external brand image."

As president and founder of 10 to 1 Public Relations, Josh Weiss has over 25 years of experience in public relations and crisis communications. He says that many companies focus on social media to build and manage their reputations because the variety of platforms makes it easy for people to engage with businesses. When used properly it can amplify positive messaging. The risk of over-relying on social media is that false or critical information can spread fast, and it's hard to repair reputation damage caused by a negative post or online review.

"While social media can't be ignored, that doesn't mean that companies should discard traditional reputation management," Weiss says. "The concept of reputation management in the business world has evolved into a combination of social media strategies and traditional reputation management strategies using content that is paid (ads), earned (news stories), and owned (blogs)." ►

Steps To Take

For gasoline marketing companies looking to enhance their reputation management, Bannerman suggests companies begin by listening more than speaking. Social media is a two-way street, and the most successful brands are those that truly engage with their audience.

“Celebrate your community – they are your best advocates. Secondly, be authentic. In a world of filters, authenticity shines like a light,” Bannerman says. “Own your mistakes, share your victories, and stay true to your brand’s vision. A common mistake? Ignoring negative feedback. It’s tempting to turn a blind eye, but addressing concerns can turn critics into advocates. Lastly, keep your finger on the pulse. Social media is ever-changing, so stay curious, open-minded, and adaptable, and never stop learning.”

Nelson adds that companies that are doing reputation management well are crafting proactive strategies that include robust posting, monitoring, and management across a variety of online platforms.

“By creating a positive, informational online presence, businesses facilitate a community that is open and transparent to celebrate success and address any potential concerns directly with customers,” she says. “This also includes ensuring regular updates are made to directory pages, on job websites, and in any industry-specific platforms.”

Businesses doing reputation management well also have a crisis communication plan in place, a tool that helps to anticipate potential adverse events and prepare internal teams to handle them beyond immediate operational needs. As Nelson explains, these plans help companies consider how to craft messages that reflect their values while preparing to respond quickly via media, social media, or any other platform.

Nelson says reputation truly begins with the experience you are providing to clients and consumers. That experience starts with the internal culture you build.

“If employees are part of a healthy internal culture, they are more likely to exhibit your mission, vision and values in their day-to-day interactions,” Nelson says. “Things still happen, though, and sometimes misunderstandings result in negative experiences. It’s critical to be proactive in these instances, by trying to provide exceptional customer service and respond quickly to negative feedback.”

Communication teams should also prepare for crises, like false accusations posted to a social media channel. Weiss advises that a good approach is to have repeatable processes such as setting up an answer bank with responses that are ready to share if someone posts a negative comment. Companies should remember that social media is their news channel or their megaphone to promote their company.

“Social media should not just be about responding to the negative but should be about promoting the positive too,” Weiss says.

As he further explains, social media also opens the door to companies embarrassing themselves if they fail to pay attention to what is happening in the moment. An example would be if they leave a scheduled post that all of a sudden sounds tone-deaf to news events that are happening in real life.

“It’s important to also monitor media for when trends could be used to negatively portray a company. Examples include negative news stories about the industry, memes, deepfakes, accusations, etc.,” Weiss says. “Online reputation management contributes to the overall strategy because a company should be updating content, staying relevant to what is happening, sharing content through their channels, monitoring negative complaints/comments, and participating in industry conversations. Getting a good story is part one, and sharing the story after you get it is part two."

Mistakes To Avoid

One common mistake that Nelson encounters is when companies are only reactive to reputation issues. They only think about how to respond to negative events as they are unfolding. "Instead, discussions about potential organization crises, including negative reviews that spiral on social media or in the local media circuit, should happen regularly, with scenarios thoroughly rehearsed and key spokespersons prepared to respond," Nelson says.

Equally important is for companies to proactively celebrate and acknowledge positive feedback online. Nelson says this not only fosters a strong community around the brand but also encourages more positive interactions. Responding to and sharing positive reviews and feedback across social media platforms demonstrates appreciation for customer loyalty and can significantly enhance the company's image.

Weiss suggests that traditional media approaches like earning story coverage through pitches and press releases, securing speaking opportunities at industry events, winning awards, and building relationships with local and industry leaders highlighting involvement will build credibility that will last longer and have more of a long-term effect on growing the business.

"Online reputation management efforts are also important but play more of a supporting role," Weiss says. For example, Weiss and his team advise clients to share positive news and company stories through their social media channels to amplify good news. The more positive impressions a business has before the negative spreads the more likely people will still view the company positively.

"When questioned or attacked on social media, we also encourage clients to respond formally and un-emotionally," Weiss says. "Your goal shouldn't be to get into a public conversation for all to see, but simply to acknowledge the concern and say you're working on resolving it offline."

Weiss also strongly encourages companies to always prepare in advance for a potential crisis. Company leaders can do this by identifying a handful of negative stories they fear could happen and creating a "crisis playbook" of what they would do and say if that crisis occurred.

"A short and well-thought-out response delivered quickly (whether it be publicly online, to employees, customers, or reporters) is essential to managing your company's reputation," he says.

The Future of Reputation Management

As with any technology, evolution is a certainty and the role social media platforms will continue to play in reputation management is anyone's guess. But Bannerman says one thing's for sure:

Consumers will continue to research and engage with brands online, and this means endless opportunities to innovate, connect, and build trust.

"We'll see social media platforms become more like communities, with shared values and open dialogues," Bannerman says. "It will be crucial for companies to manage their reputation digitally and also remain up-to-date on the new platforms and channels that their customers are using to do so."

In Nelson's opinion, online reputation management will continue to evolve as new platforms and technologies emerge. However, she always recommends companies start with their internal culture.

"It is important to remember that a company's essence and its treatment of employees reflect externally, influencing interactions with customers and clients, thus preventing service-related reputation problems and making uncontrollable service-based reputation issues more manageable," she adds.

In addition, Weiss expects that the relationship between traditional and online reputation management will continue to grow and become further intertwined. Companies that ignore one will have a hard time managing reputation in both the short and the long term.

"Regardless of the platform or format (earned, paid, or owned), it's also going to be important that the overall statement and sentiment is consistent regardless of where it's shared," Weiss says. "Sure, the tone can be adjusted for the audience, but the overall core message needs to be the same, everywhere."

In addition, as AI increases and the digital transformation continues reputation management will become even more important. Weiss advises companies that new threats, such as the threat of deepfakes or AI-generated images, video, or audio files, will evolve so it will be important to consistently update crisis playbooks and strategies. ★

Weights and Measures Critical for Quality Fuel

BY SCOTT FENWICK, TECHNICAL DIRECTOR, CLEAN FUELS ALLIANCE AMERICA

State weights and measures bureaus play an essential role in the marketplace by creating equity for the consumer and ensuring that they get a quality product every time they go to the pump. Fuel quality is a cornerstone of the clean fuels industry. We've touted it for decades: not only do we offer drop-in fuels that slash emissions, but consumers will get a consistent product every time.

I recently interviewed Mike Harrington with the Weights and Measures Bureau of the Iowa Department of Agriculture and Land Stewardship for the Cleaner. Better. Now! podcast. Harrington was hired in 2007 to start a fuel quality program for the state. Harrington's program looks at all aspects of fuel quality and ensures that quality fuels are sold in Iowa, a state that offers tax incentives for biodiesel blends including B30. He and his team collect samples of biodiesel and ethanol from production plants and all of the pipeline terminals, as well as retail locations. The samples are tested at the Iowa Central Fuels Testing Laboratory, and the results are publicly available.

Under Harrington's watch, inspectors test the accuracy and correctness of all of gas pumps and diesel pumps once a year. During the annual inspection, they pull samples for testing and randomly return to spot check locations. The spot checks allow inspectors to know if a problem has been fixed, but it also ensures that issues don't appear in different conditions. "We notice a lot of tank issues when there are weather extremes," says Harrington. "When it's too dry and there's drought season or if it's too wet and flood season, conditions in the ground soil can change and lead to water infiltration in tanks or pipes cracking and breaking."

As a response, inspectors check stations at different times of the year. "We don't check every station the same time of the year; otherwise, you're always going to get the same result," says Harrington. "For the production side, we get around quarterly and pull samples from methanol plants and biodiesel plants."

In the winter, inspectors collect monthly samples from production facilities and pipeline terminals to ensure the diesel fuel isn't susceptible to gelling problems. This system verifies all stages of the supply and distribution chain.

The responsibility of the Weights and Measures is much broader than simply checking fuel quality. "We do a lot of things that people just don't realize that we do," says Harrington.

Harrington's team checks grocery store scales and verifies that scan prices are what ring up at the cash register. When cooperatives bring grain in from the fields, Weights and Measures check the meters used to ensure the crops are the right moisture to ensure farmers aren't shorted any money because the crop is too wet. They check highway truck scales and railroads scales. For commodities going down the railroads, they make sure that the amount of the product being bought and sold is the correct amount that is loaded into the cars.

Fuel, however, is one of their most visible assignments. In all states, Weights and Measures checks the gas pumps for accuracy, verifying that a gallon is a gallon, that labels are properly displayed, and that the pumps are in good working condition. They check that hoses are in good condition and aren't going to fail when a customer uses them, and the gas pumps aren't leaking fuel underneath pumps or into the environment.

Harrington says that about three percent of fuel samples in Iowa have a quality issue. Generally, that comes from the introduction of water into underground storage tanks. "Our inspectors will check the tanks for water, and we will compare it to the station's water detection system," says Harrington. "We'll make sure that they know that their detection system is working properly."

Because Iowa is very proactive, the issue with three percent of fuels doesn't mean a car will be left stranded by the side of the road. Inspectors catch problems at the beginning of a problematic stage. "Ninety-seven percent of the time you know you're going to get great fuel," says Harrington. "Three percent of the time, you might havea little bit of a problem or your car might run a little bit strange, but you know when you refill with fuel then it runs normal again."

With Iowa's role as a leader in biofuels adoption, Harrington says he is seeing increasing biodiesel blends. He says that stations that once dabbled in B2 may have increased to B5 and are now finding success with B20. "We see that change in the fuel without any changes in the infrastructure," says Harrington. "We can tell that it's the same old pumps, the same old piping. They've been able to switch and convert and increase their blend offerings without any type of additional cost to them."

The BQ-9000, an accreditation program for biodiesel producers, marketers and industry laboratories, helps provide standards for fuel quality in Iowa. Iowa Central Fuel Testing Laboratory was the first laboratory in the nation to be BQ-9000 certified, and other laboratories followed suit. "I love that the program helps assure that samples that I pull from a regulatory aspect are going to meet a certain standard," says Harrington. "I can go to a BQ-9000 producer and be assured that the samples that we pull are going to have passing results." Harrington also uses the BQ-9000 standards to help new or unlicensed producers create a great product or remove it from the market.

Iowa is a leader, but Weights and Measures Bureaus nationwide ensure quality products for consumers. This type of stringent testing, as well as high production standards, means that biodiesel will work in any diesel engine and remain a reliable drop-in fuel that slashes emissions. ★

SCOTT FENWICK
Technical Director, Clean Fuels Alliance America

How Soon Will Alternative Fuels Impact Wholesalers and Retailers?

BY PATRICK DEHAAN, PDI TECHNOLOGIES

Given the nature of our industry, we've all heard a lot of talk about the energy transition that's poised to help reduce greenhouse emissions from transportation vehicles. Most of that discussion has focused on the impact of electric vehicles (EVs) and alternative fuels on consumers and fuel retailers.

We haven't heard as much about the potential impact on fuel wholesalers and the long-haul trucking industry. As with any period of transition, it's natural to feel anxious about all the unknowns associated with rapid change. However, it's important to remember that we're still in the early stages of this energy transition.

Yes, the future of fuel is filled with a lot more questions than answers. And even though none of us can predict how soon alternative fuels will impact your business, you should still start preparing for the energy transition so you're ready when it actually happens.

The Alternative Fuel Options Continue to Expand

Before diving into what alternative fuels should be on your radar, I wanted to make one thing clear: The outlook is still somewhat murky. Even those of us who study fuel markets for a living don't have a crystal ball to know precisely when we'll see a significant shift in alternative fuel usage. Expect this transition to play out across decades rather than years.

With that caveat out of the way, we do need to acknowledge that the energy market is continually evolving. Fortunately, our industry is incredibly good at adapting to change. Both the U.S. Government and vehicle manufacturers are investing a lot of time, effort, and resources in identifying the next big thing in alternative fuel.

Alternative fuels that are already in use or worth exploring include the following:

- Ethanol/gas blends such as E15 and E85 have strong potential but relatively limited practical use as manufacturers have been relatively slow to embrace them.
- We've recently seen an uptick in momentum for Plug-in Hybrid EVs (PHEVs) in the consumer market and from manufacturers. However, the prospects for long-haul trucking aren't as clear.
- There's growing optimism around using Liquid Natural Gas (LNG) for fleet vehicles, and some fuel stations are starting to experiment with it. Despite its enormous potential, LNG still faces several obstacles in becoming a mainstream fueling option. ▶

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- Hydrogen might be the holy grail in terms of a clean energy fuel, and large manufacturers like Toyota are still investing in this area. But we haven't yet seen a significant breakthrough in making it viable for widespread use in trucking.

EVs and Biodiesel Show the Most Immediate Promise

The two most common alternative fuel approaches for long-haul trucking today are electricity and biodiesel. Unfortunately, the same challenges facing EV-driving consumers will also impact the long-haul trucking industry.

Topping that list of challenges is the general lack of EV charging infrastructure. Think of the impact passenger EVs have had on our aging electrical power grid, then extrapolate that power draw across an entire fleet of much larger trucks. The lack of infrastructure in rural areas especially has inhibited nationwide fleets of long-haul EVs. Today, most EV fleets tend to operate in more compact urban areas—such as Amazon's fleet of over 10,000 EV delivery trucks in the United States.

One of the most promising alternative fuels in the near term is biodiesel. It's a relatively simple replacement for diesel fuels, and because it typically uses the same existing pump infrastructure, there's less investment, disruption, and risk involved. In fact, California is rapidly pivoting to biodiesel and renewable diesel fuels such as B10, B15, and B25—which already account for nearly 60% of diesel fuel use in the state.

As market forces sort out the eventual winners and losers in the alternative fuel field, you'll be well prepared as long as you focus on your business fundamentals. In the meantime, here are five key points to help you prepare regardless of what fuels come next:

1. Listen carefully to your customers and the marketplace
2. Stay true to your gut—and what your data is telling you
3. Keep an open mind and be ready to pivot quickly if necessary
4. Focus on the big picture by staying agile and flexible
5. Avoid making major investments until you have a clear ROI strategy

There's No Need to Panic

As of today, the energy transition has been a bit slower than anticipated—with current projections noting that EVs won't make up 50% of the vehicles in the United States until the mid-2040s. So, take a deep breath, because we should have plenty of time to sort this out.

Even with the growing interest in alternative fuels, current fuels such as gasoline and diesel will likely be around for a long time. And, as market dynamics shift, just make sure you're ready to react in a strategic and timely manner. ★

Patrick DeHaan is Head of Petroleum Analysis at GasBuddy, a PDI Company. Follow him on X and listen to his "Over the Barrel" podcast on the latest fuel trends.

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- Lubricants and Methyl Tert-Butyl Ether (MTBE)
- Feedstocks
- Naphtha

Platts Market Data – Refined Key Market Data and Benchmarks

Location	Benchmark
North America	North American refined products US Fuel Oil US LPG
EMEA	MOPS gasoil MOPAG refined products MOPFUJ Fujairah refined products
APAC	MOPS (FOB Singapore) refined products MOPJ naphtha
LATAM	Brazilian refined products

What's next for the refined products markets?

https://bit.ly/SP-RefinedProducts

Florida's Growing Population Attracts Refined Products … and Roller-Coaster Pricing

BY BEN PEYTON, BRIAN FARIAS, AND AARON TUCKER, S&P GLOBAL COMMODITY INSIGHTS

Florida attracts a steady stream of tourists flying and driving into what is also the third-most populous state, so it's no surprise the Sunshine State ranks as the third-biggest consumer of gasoline, diesel, and jet fuel. But it may surprise some that Florida has no refineries, unlike the bigger states of California and Texas. It also has no pipelines pulling refined products over its borders.

It has historically relied on contracted volumes by Jones Act ships or foreign vessels for supply, traditionally pricing at what sources said was a 6 to 7-cent premium over the U.S. Gulf Coast. But those premiums are said to have doubled on average since the pandemic, with spot trading increasing and differentials swinging wildly since last fall as traders account for more supply/demand dynamics in the Gulf Coast and across the Atlantic basin.

"It's an interesting market," one U.S. products broker said. "Florida is the only big market without a real supply point."

Premiums for delivered refined products into Florida returned to their norms April 1 after a winter hovering near historical highs, when the populous state competed against higher demand up north and fewer available Jones Act ships.

S&P Commodity Insights analysts said vehicle miles traveled in Florida exceeded pre-pandemic levels by 3 percent in 2023, while air travel exceeded pre-pandemic levels since 2022, with passenger counts in March 17 percent higher than March 2019, compared with 6 percent higher across the United States.

"This is due to the state's fast-growing population and strong discretionary driving as it serves as a vacation destination hotspot," said analyst Hannah Knaup. "Florida's population has grown 6 percent since 2019. These factors will likely support stronger gasoline demand and Jones Act shipments into the state over the next few years."

Platts, part of SPCI, started assessments April 1 for CBOB, premium CBOB, ULSD, and jet fuel at 15.75 cents/gal, 15.75 cents, 12.50 cents, and 14 cents over their U.S. Gulf Coast Colonial Pipeline counterparts, respectively, into both Tampa and Port Everglades. Outright prices were at $2.594/gal, $2.9025/gal, $2.6776/gal, and $2.7496/gal, respectively. Premiums declined slightly over the next 10 days except for jet fuel, which tumbled as low as 5 cents over the Gulf Coast.

"The U.S. Gulf Coast is flush with material and is trying to ship as much as possible," a second market source said at the time. Imports largely come from the Gulf Coast, but regions from the U.S. Atlantic Coast to Europe and Asia help supply the southernmost U.S. state. Sources said Florida overwhelmingly trades as a differential to the USGC pipeline, plus Jones Act freight costs, waterborne premiums, and line space value. Using that formula, Florida premiums over the USGC were estimated as high as 28 cents/gal for gasoline in November and 37 cents for jet fuel and diesel in December, supporting market talk at the time. Premiums declined in 2024, reaching as low as 6 cents for gasoline in March and to the 5-cent mark for jet in April, which sources say leaves no room for profit.

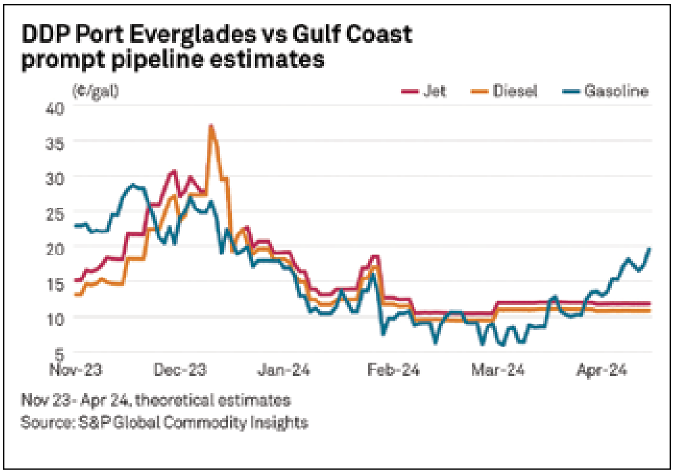
One Gulf Coast gasoline trader said the highs and lows since late last year mirrored historical levels. "I have seen spreads as high as plus 25 cents and as low as plus 5 cents vs. the Gulf Coast," he said. "Florida has the constraint of being limited by the number of Jones Act ships available to deliver into it, which can either drive shortage or excess."

Other sources said USGC premiums held a 6- to 7-cent premium until the pandemic, but typically trades twice that now as people no longer just dump excess barrels into the heavily populated state.

"It ranges over the last couple of years from 12 to 17 cents/gal, mostly depending on USGC freight and landed Trans-Atlantic values," another source added.

Reliant on Gulf Coast, Foreign Imports

On April 1, Platts launched gasoline, diesel, and jet fuel cargoes delivered into Florida, reflecting minimum 125,000-barrel cargoes delivered three to 15 days forward on a DDP (inside duty) basis in Port Everglades and Tampa. Platts also launched ▶



dead prompt New York barge assessments and Laurel Pipeline ULSD assessments April 1, capturing a broader scope of East Coast markets with increasing spot trading.

The Florida market is isolated from the rest of the country as there are no major pipelines into the peninsula. Florida also has no refineries. The state relies on imports to satiate its growing population.

Florida can be supplied from the U.S. Gulf Coast using only Jones Act vessels, and from the wider export market using international-flagged ships. Tanker trucks are also used, but they can't match the volumes shipped by barges or ship tankers. On Nov. 1, Platts launched daily clean tanker Jones Act freight assessments on the U.S. Gulf Coast-to-Tampa/Port Everglades routes, to provide transparency into domestic maritime shipping markets. Rates have been slowly rising, but sources said supply had been the problem. They said some ships repositioned to California for renewables delivery in early winter, although that appears to have reverted back.

Perhaps more importantly, refinery turnarounds in the Atlantic basin led to tight markets, pulling more USGC material to New York Harbor on Colonial. Shippers paid up for access to the oversubscribed line space, leading to higher Florida prices. By March, Colonial allocations had disappeared, and Europe material was seeking a home.

"Some cargoes arriving from east of Suez are going across to the United States, and I think that that's how Europe will get rid of some oversupply, by sending it across the Atlantic," another jet trader said.

New York RBOB barge differentials to the underlying NYMEX RBOB futures, meanwhile, hit their lowest mark in at least 14 years April 1, signifying less competitive demand up north.

Foreign Imports Focus on Gasoline, Jet Fuel

U.S. Customs data showed foreign gasoline imports to Florida reached 74,800 b/d last year, roughly double the year earlier. It rose again through mid-March 2024, to about 84,400 b/d. Foreign imports almost exclusively enter into Port Everglades, Port Canaveral, and Jacksonville, with Tampa pulling mainly from the USGC.

Jet fuel in Florida also imports a hefty volume and functions as the marginal European barrel. Imports to Florida rose 3,000 b/d to 24,900 b/d last year, according to U.S. Customs Data. Port Everglades took nearly 62% and Tampa less than 1%.

Customs data showed Florida diesel imports rose 1,400 b/d to nearly 6,700 b/d in 2023.

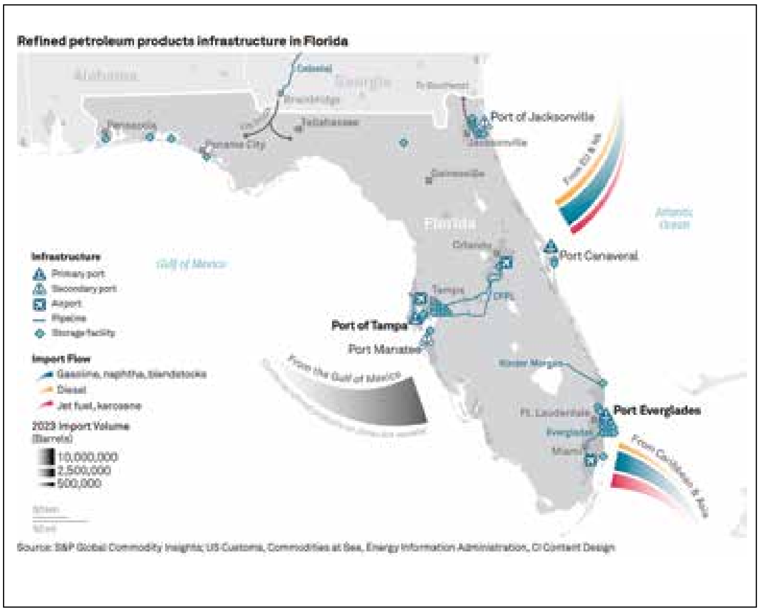
Florida has not always played a role as the last resort for Atlantic basin refined products. It was often a solid second choice after New York Harbor before major refineries around the Caribbean Sea closed a generation ago and before Venezuela's massive refinery system went into disrepair. In the last few years, the Bahamas has returned as a Florida buffer amid the increase of Jones Act costs, storing blendstocks from around the globe and mixing into gasoline that can ship back to Florida on an international flag ship. Such flows exploded 12-fold in 2021, and were another three times higher this year to 50,000 b/d, or a cargo a week.

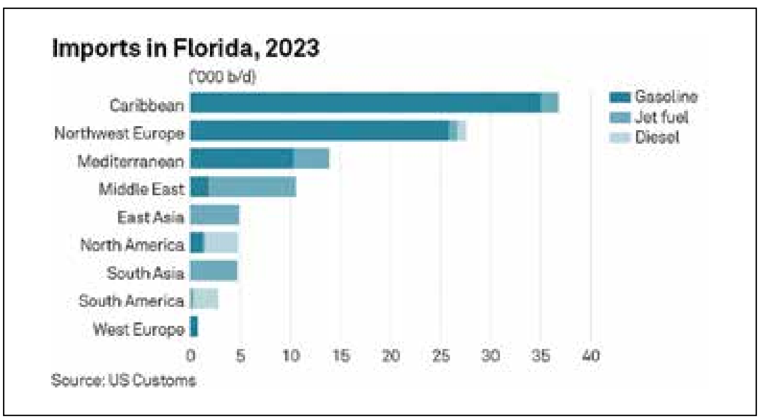
Florida's role as a key swing state may even become more prominent in the coming years, said SPCI analyst Brian Stetter. Florida premiums will feel an effect, he said, from two giants coming online, the 650,000 b/d Dangote refinery in West Africa and the 340,000 b/d Olmeca refinery in Mexico.

"West Africa today is short refined product and the region imports barrels from Europe to supplement its supply," he said. "Once Dangote refinery reaches full commercial operations in Nigeria, European refiners will need to seek alternative homes for those products. This could free up more supply to be sent to U.S. East Coast ports, including Florida."

In addition, the streaming of Olmeca refinery in Mexico is expected to reduce Latin America's refined product deficit. Mexico is by far the biggest draw of USGC refined product exports. The second-biggest, Brazil, has largely switched to Russian diesel imports over traditional U.S.-origin barrels.

"U.S. Gulf Coast refiners, therefore, will also be seeking alternative homes for its products," Stetter said, "which could include supplying additional barrels into Florida via Jones Act movements."





But a Jones Act ship supplier said that the USGC has so many advantages, from cheap crude to quick Gulf of Mexico routing, that it will remain the main supplier despite higher freight rates for US-built, US-operated vessels.

"From the wellhead to Florida, ultimately that's going to be the cheapest route compared with international," he said. "The reality is that our cost per landed refined barrel is just far and away cheaper than any international barrel." ★

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Still Plenty of Threats to Refined Product Supplies

DENTON CINQUEGRANA, OPIS, A DOW JONES COMPANY

With the summer driving season arriving, there are still plenty of potential threats to supply for the remainder of the year.

There are five key drivers that OPIS analysts are keeping an eye on for the remainder of the year and how they can impact supplies of refined products. While refining, margins, and weather will also be factors, this year has the added effects of geopolitics and an election year and not just in the United States.

The war between Russia and Ukraine is well into its second year and markets have largely adjusted to lower availability of Russian crude oil and refined products. This year saw a new degree added as Ukraine has been able to hurt Russian supply by using drones to impact Russian refineries. Not only has Ukraine found some success in hurting Russia but their capabilities continue to improve as well.

In early April, a drone strike at the 340,000 barrels per day Taneco refinery was not only Russia's third largest refinery, but the refinery is located approximately 800 miles from the front lines of the conflict between the two countries. The distance is evidence of the improving capacity of the drone strikes intended at taking a chunk out of Russian revenues.

Estimates are that some 15% of Russian refining capacity was impacted by the drone strikes, but officials in Russia have said that all repairs and restarts of the refineries are expected by the beginning of June.

While drones are primarily being used by Ukraine against Russia, the use of drones on energy infrastructure is certainly an element to keep close tabs on and not just in the war between Russia and Ukraine.

The ongoing war coincides with a geopolitical backdrop that is heating up by the day.

Israel and Hamas as well as involvement from Iran has markets on edge about a wider escalation in the region. So far there has not been any impact on oil production in the Middle East due to the rising tensions. Houthi rebels have made transit through the Red Sea difficult and that has resulted in cargo ships rerouting to avoid any potential issues. That has resulted in higher shipping costs and added time associated with the longer routes. ▶

In mid-April, the tensions took another step higher. After Israel was blamed for a missile strike that hit an Iranian diplomatic building in Damascus, Syria, Iran responded with a barrage of just over 300 drones and missiles aimed at Israel as retaliation. Israeli air defenses along with help from regional and western partners largely thwarted the attack.

This has resulted in analysts trying to pinpoint a geopolitical risk premium in oil right now. Goldman Sachs analysts say it is in the $5-10 per barrel area. One thing just all analysts agree on is any move made by Israel can destabilize the region and lead to a wider conflict. Iran has in the past threatened to shut the Strait of Hormuz, one of the key oil arteries in the world. Any combination of those two could easily send oil prices back above triple digits. A blocking of the Strait of Hormuz though would be quite difficult as it is wide and well protected.

According to the Wall Street Journal it was the first Iranian attack on Israel from Iranian territory. While there was only minor damage from the Iranian attack it has created a diplomatic kerfuffle as markets look to what could possibly happen next.

From an oil market perspective, the Biden Administration is involved in both situations. The Administration has advised against Ukraine attacking Russian refineries as it could thin out global supplies, particularly diesel, and raise prices throughout the globe and particularly the United States. Biden has also advised Israel to "take the win" after the Saturday attacks and not retaliate further.

One other area domestically that comes into question is will the Strategic Petroleum Reserve (SPR) be tapped to quell gasoline prices during the summer months. Analysts believe that the Biden Administration will not pull from the reserves, but if there is one thing that has become certain it is that the SPR has become politicized.

The current global elements take on even more meaning in 2024 as it is an election year in the United States. In fact, more than half of the global population will see elections at the top levels this year. Some have already taken place and Vladimir Putin has already won re-election.

Besides global strained relationships and high running tensions, economies and inflation and climate change are likely to be among some of the most important factors on voters' minds in 2024.

Another larger macro issue to watch in 2024 and for the foreseeable future is weather.

The hurricane season is about to begin, and forecasters are expecting another active Atlantic season this year. While hurricanes will always be closely monitored, of particular concern are ones that make their way into the Gulf of Mexico and have a cone of uncertainty that spans anywhere from Corpus Christi Texas to Pascagoula Mississippi.

Weather impacts over the past couple of years have been a focus for 12 months now instead of just the hurricane season.

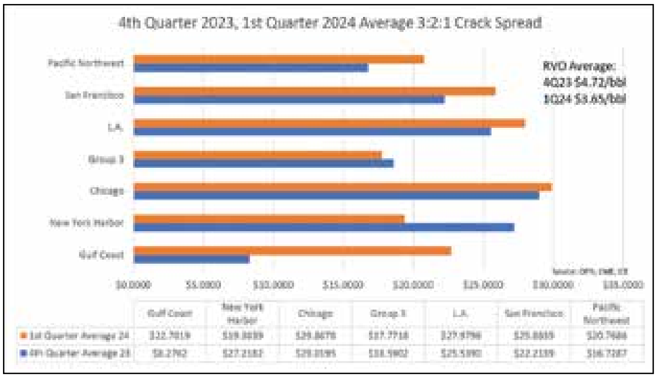
This past winter saw what was a normal winter maintenance season tur into something much larger as refinery utilization rates fell to as low as 80.6% of capacity according to the Energy Information Administration. At times, runs of crude oil and other feedstocks were more than 1 million barrels per day below year ago levels. Although winter was considered warmer than normal, a few arctic blasts and winter storms impacted refiner operations.

Additionally, the 80.6% of capacity was the lowest winter rates since late February early March 2021 when winter storm Uri had a massive impact on refineries on the Gulf Coast due to power outages and cold weather impacts.

It is not just winter weather though, as searing summer temperatures are testing refinery operations. While refineries are certainly equipped to run in hot weather for several days, the challenge is triple digit temperatures that go on for weeks.
A good analogy may be a major league baseball pitcher. It may be easy for the pitcher to throw 100 pitches when the ambient

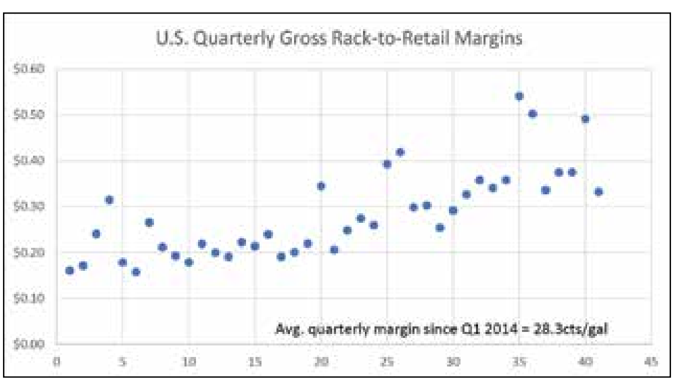
temperature is 80 degrees, but the same pitcher will tire a lot quicker when temperatures reach triple digits. This should leave a volatile market environment for margins, whether refining margins or rack-to-retail margins.

Refining margins during the first quarter had been solid, though not as strong as the epic 2nd and 3rd quarters of 2022 but from an historical standpoint are still above trend.



The same can be said for gross rack-to-retail margins. It was a long-held belief in pre-Covid times that as refining margins move up rack-to-retail margins move lower. Over the past few years, the sets of margins have been moving in tandem a lot more than in the past.

In the first quarter of 2024, the average gross rack-to-retail margin came just under 33 cents per gallon, which is largely in line with the first quarter of 2023 and 2022. For marketers, the 3rd and 4th quarters have been the strongest for margins are oil markets slide into the fall and winter months.

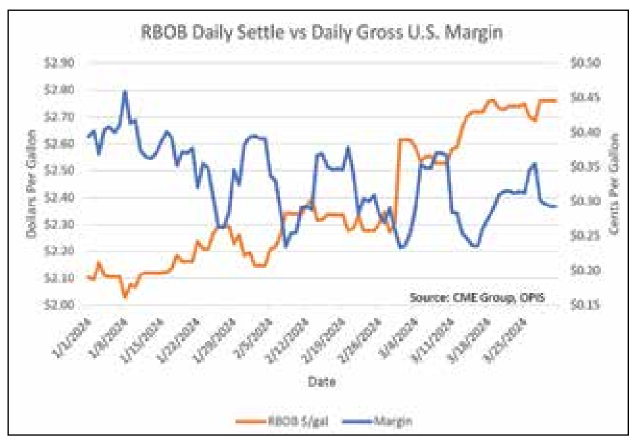


The trend on gross margins is moving higher as 40 cents per gallon may be the new 20 cents per gallon. Since the 1st quarter of 2014 the average margin has moved to just over 28 cents per gallon.

There are a few reasons why margins are expected to stay elevated and continue to trend higher. Labor costs for retailers continue to rise and real estate costs continue to firm. Additionally, with industry consolidation there are more stations in fewer hands. From a macro perspective the high interest rate environment is also supporting prices that could end up being "higher for longer".

A good gauge on the volatility of margins has been comparing a daily gross margin to the RBOB futures contract settlement price.

Multiple factors have contributed to futures markets volatility over the past few years, but prices have seen wild swings over the past couple of years. There has been an almost inverse correlation between gross margins and the daily RBOB settlement price.



There could be a few reasons behind such a strong inverse correlation. The first is that futures markets are correcting quickly, and secondly retail prices are reacting much quicker to the large moves. One can argue that it is one reason or the other, but it is more than likely a combination of the two.

Nevertheless, with such an unpredictable future for oil and refined product markets in 2024, expect price volatility to be at the forefront. ★

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