End Use and Fuel Certification

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Convenience Retail Fuels Industry

• 149,220 Stores –
  – 123,289 sell fuel
  – **58.6% of those with fuel are 1-store operations**
  – Integrated oil companies own & operate 0.4%
  – 50% are independent, branded operators

• In 2012, industry –
  – $700.3 billion in total sales (4.5% of GDP)
  – $501.0 billion in fuel sales
  – Fuel sales generate 71% of sales, but only 35% of profit

• Industry sells more than 80% of the fuel in the U.S. annually
Motor Gasoline Consumption

Average Daily Consumption

9354  9161  9061  9097  8947  8647

2007 – 2012 =  7.56%

Source: U.S. Energy Information Administration
Liquid Fuel Market Changes

Miles Traveled: +39.9%

Diesel: +26.4%

Gasoline: -18.4%

Net Change in Liquid Demand: -4.8%

Source: U.S. Energy Information Administration
RFS as % of Fuels Market

% Renewable per Gallon of Gasoline
(excluding Biodiesel and E85 volumes)

Source: US Energy Information Administration
Infrastructure Limitations

• Equipment must be listed by UL

• Retrofit Dispensers: $4 billion
  – Approx. 500,000 dispensers
  – Maybe 70% can be upgraded with UL-approved kit (E25) (est. $2,000 - $4,000 each)
  – Assume 30% must be replaced (est. $20,000)

• Retrofit Tank Systems: Unknown
  – $100,000 + every time retailer cracks concrete

• What about consumers and vehicles?
  – How many can operate on higher blend fuels?
  – Who is responsible for misfueling?
  – Will consumers even want to buy the new fuels?
In 2012, on average each FFV consumed only 14.35 gallons of E85

Source: U.S. Energy Information Administration
High Octane Fuels

• Discussions about high octane ethanol fuels:
  – Remove 87 and 89 octane gasoline (Regular and Mid-Grade)
  – Today’s premium becomes the “new Regular”
  – Introduce a dedicated fleet to operate on segregated E25-E30 fuel

• Consumers:
  – Many will appreciate the higher performance of new fuels/vehicles
  – Most will strongly dislike paying premium price for “Regular”

• Basic cost estimate:
  – Est. 133 billion gallons gasoline consumed this year
  – Premium vs Regular = avg 30 cent price differential
  – If all “Regular” becomes premium, cost to consumers will be at least $40 billion, not including increase in refinery production and decrease in refinery yields
How do we get there?

• Allow compatibility determination for existing equipment
• Clarify who is liable for misfueling
• Bring the customer along with the market development
  – Explain to consumers why new vehicles/fuels are superior and desirable – develop some interest and potential demand
• Cost will rule -
  – Cost of fuels
  – Cost of vehicles – purchase and operation
  – Cost to legacy vehicle owners – premium for regular?
• Just because we build it, does not mean they will buy it.
• If consumers are interested, retailers will be interested!
Strategy

• Vehicles and fuels industries must work together
• Coordinating introduction of new technologies enhances chances for success
• If one industry tries to force change on the other, market development will be stymied
• Both industries and consumers will lose
• Keep the consumer foremost in mind
Questions?

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