

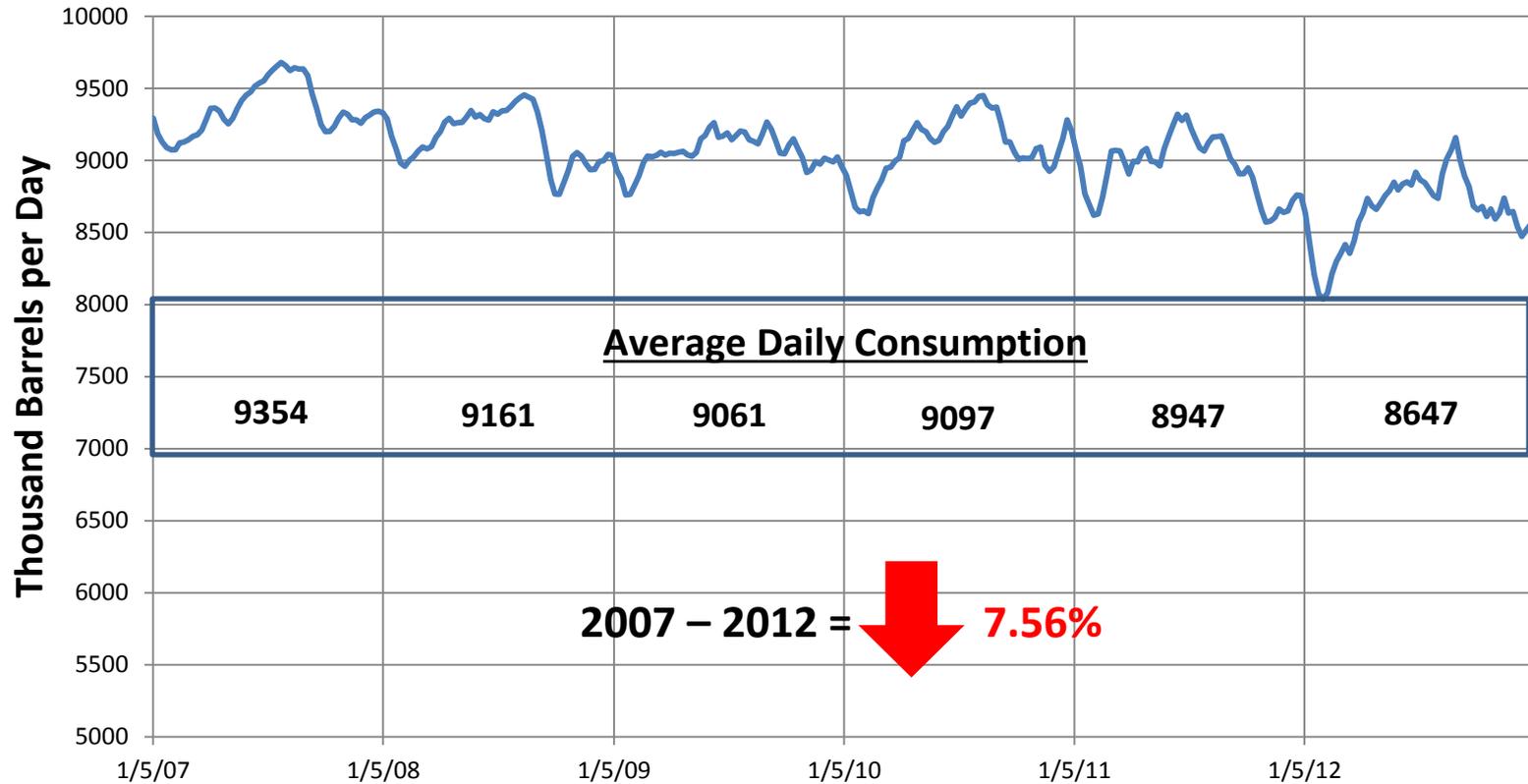
End Use and Fuel Certification

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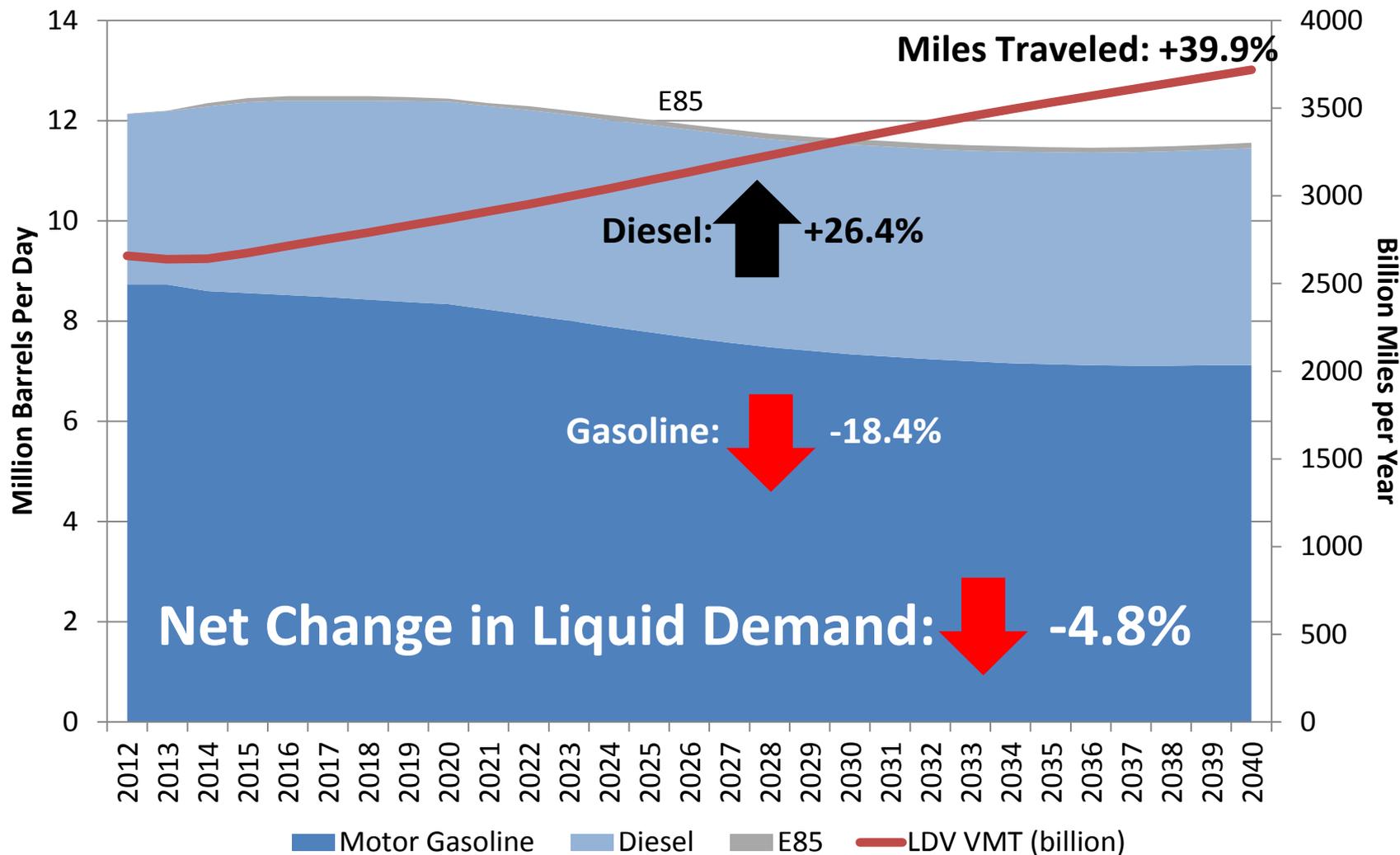
- 149,220 Stores –
 - 123,289 sell fuel
 - **58.6% of those with fuel are 1-store operations**
 - Integrated oil companies own & operate 0.4%
 - 50% are independent, branded operators
- In 2012, industry –
 - \$700.3 billion in total sales (4.5% of GDP)
 - \$501.0 billion in fuel sales
 - Fuel sales generate 71% of sales, but only 35% of profit
- Industry sells more than 80% of the fuel in the U.S. annually

Fuel Demand Destruction

Motor Gasoline Consumption

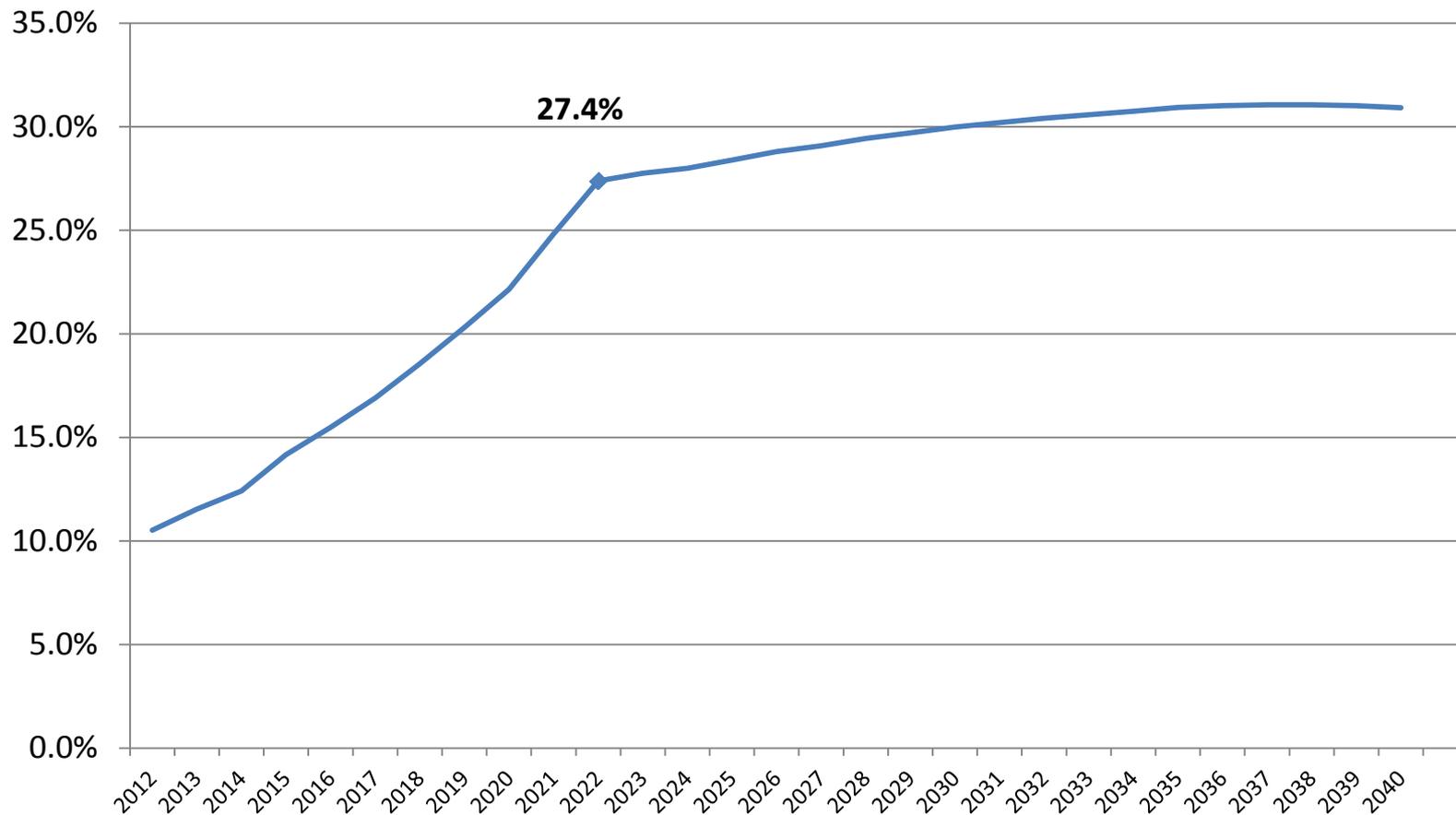


Liquid Fuel Market Changes



RFS as % of Fuels Market

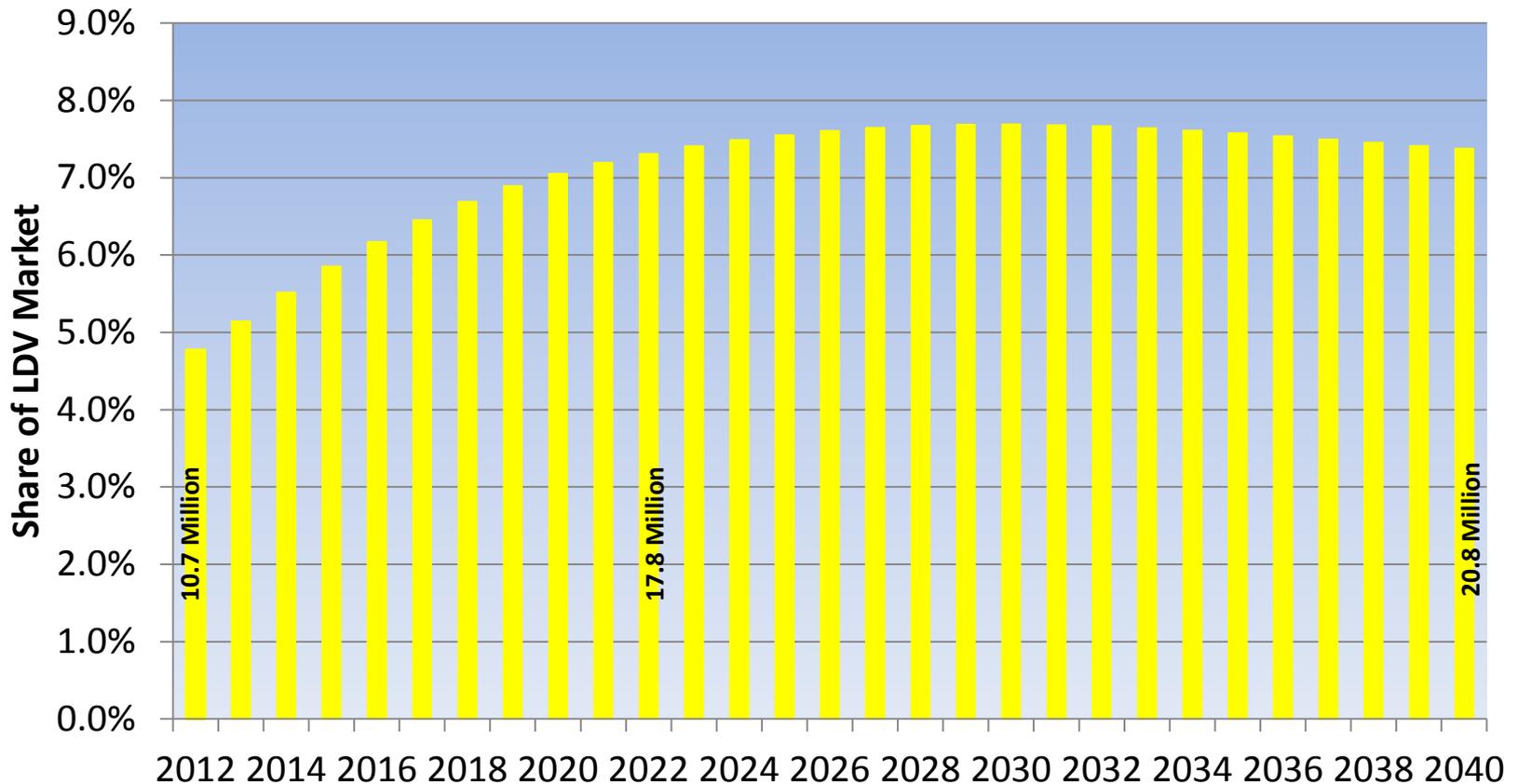
% Renewable per Gallon of Gasoline
(excluding Biodiesel and E85 volumes)



- 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?

Unsuccessful Attempt

Flex Fuel Vehicles



In 2012, on average each FFV consumed only 14.35 gallons of E85

- 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!

- 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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