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JULY | AUGUST 2024

SIGMA



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- PROFILE - GLOBAL PARTNERS
- WASHINGTON WATCH: SIGMA MEMBER LOVE'S URGES CONGRESS TO SUPPORT PRIVATE INVESTMENT IN ALTERNATIVE FUELS
- KEEPING UP WITH THE 'BIG GUYS'
- SUBSCRIPTION-BASED SERVICES IN THE C-STORE SPACE



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

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

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

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Dale Boyett
SIGMA President

viewpoint

Take it to the Next Level at a SIGMA Share Group



This year, SIGMA will host six Share Groups September 17-20 in New Orleans, LA. SIGMA also has a Retail/Foodservice Share Group that has both in-person and virtual events throughout the year. SIGMA Share Groups are smaller, topic-focused 1½ day meetings that combine presentations, breakout sessions, and peer networking. Share Groups provide a unique educational experience in different business areas related to fuel marketing and are a great way to take the value of your SIGMA membership to the next level.

Who Should Attend SIGMA Share Groups?

Share Groups are for employees at all levels of the company. Everyone from middle managers to owners and principals can attend share groups to gain valuable knowledge on a specific area of the business.

For more information and to register, visit the Events page on the SIGMA website (<https://www.sigma.org/event/>)

September 17-18 Share Groups:

Mobile Fueling, Tankwagon, and Cardlock Share Group

Moderator: John Rettiger, Rettiger Group

- Best Practices – group roundtable
- Current Challenges - group roundtable
- Cardlock pricing strategies to optimize margins
- Improving engagement and retention via onboarding strategies for new employees
- Mobile Fueling- Pricing and Operational strategies
- Hedge Sales for End User customers
- Leveraging Technology to optimize tank wagon delivery profitability

- Recruiting and Retaining Drivers
- KPI's that measure bottom line results

Maintenance and Environmental Share Group

Moderator: Ben Thomas, UST Training

- Connecting with Regulators
- Fuel Diagnostics: Forecourt and Inventory Variance Optimization
- Aging UST Systems
- Inspection Data Capture
- EV Charging and Liquid Fueling
- Tank Cleaning
- SPCC Plans for New Sites and AST Inspections

Transportation Share Group

Moderator: Brendan McMahon, Consultant

- Technology - What's new in the world of the terminal?
- What's Changing in the Truck Market?
- Maintenance – What are you doing to combat difficult supply changes and new technology?
- What your Customer is Expecting and How to Build a Partnership
- What are you Doing to Prevent the Nuclear Verdict?
- Do We Have a Driver Shortage or Retention Problem?
- Why America isn't buying Electric
- Technology – What are you using and why?

September 19-20 Share Groups:

Credit

Fuel Buying

IT ▶



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Credit Share Group

Moderator: Ann Pitts, The Pitts Group

- Credit Professional Industry Overview
- VIPs of Cash Flow - Credit & Sales Teamwork
- Change Over Between Fuel/Transport Distribution Companies
- Best Practices in Collecting
- Highlights of an Effective Credit Policy
- Share and discussion of Collection Letter Templates
- Handling Tough Customer Scenarios

Fuel Buying Share Group

Moderator: John Rettiger, Rettiger Group

- Best Practices – group roundtable
 - Current Challenges - group roundtable
 - Renewable Fuels Impact on Supply Chain
 - Refined Products Supply Market Update
 - Best in Class Fuel Procurement Plans
 - Evaluating Supplier Contract Offers
 - Keys to Maintaining Healthy Supplier Relationships
- Petroleum Products Terminal Technology updates

IT Share Group

Moderator: Patrick Abernathy,

Ignite Retail Technology

- PCI Compliance 4.0
- AI
- Verifiable Credentials / Digital Coupons

Dale Boyett, Boyett Petroleum

SIGMA UPCOMING! EVENTS!

2024

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 Winter Conference
Vail, CO

APRIL

April 22-24

SIGMA 2025 Spring Conference
Scottsdale, AZ

NOVEMBER

November 4-6

SIGMA 2025 Annual Conference
Nashville, TN

Inside

SIGMA

A Message from the SIGMA CEO



Dear SIGMA Community,

Welcome to Summer, 2024! This is the time of year that our industry thrives on – cars hit the road, travelers have vacation money in their pockets, and our industry looks to see our demand and sales take off. But this year, we head into this summer in a somewhat “subdued” place – demand appears to be flattening, even though prices for fuel both on the wholesale and retail level are below last year’s levels.

I’m delighted to say that with this message, I am now 90-days into my tenure as CEO of SIGMA. I had a chance to meet with all kinds of members – marketers, fuel suppliers, business service partners – at the Spring Conference in Austin. It was an amazing meeting with great events, great education, and as always, unparalleled socializing and networking. As I’m writing this, I’m looking forward to the SIGMA Summer Legislative Conference, our Share Groups, and of course, the Annual Conference in Boston in November. We’re already heavy into the planning for Annual, and we’ll be sure to keep our community abreast of what we have planned.

Some other exciting initiatives that we have kicked off include the formation of the first ever women’s group within SIGMA. It’s called SWAN – SIGMA Women Ambassadors Network. We’ll tell you more about this in the coming issues, but to me, it’s a great step forward for SIGMA, and a passion project for all of us at SIGMA – especially Meredith James who is spearheading this with tremendous enthusiasm.

Most of you know that I have been in the industry – well, let’s just say it’s going on five decades.

When I started my career, I learned the business – and I mean the business of fuel supply, pricing, and marketing – from women. When I covered “spot” markets, I found a secret – I learned to make friends with people that scheduled fuel for refiners and for marketers. And by a great coincidence, the schedulers that I learned from were women. I learned about the movement of not only refined fuels, but also LPG’s, and aviation fuels. When I ran sales for a well-known Price Reporting Agency (PRA), many of the customers that I negotiated with were women who were running supply desks. So, for me, women in our industry have played a huge role in my career path. That’s why I’m so



excited that SIGMA will be launching this women's network in Boston in November. Stay tuned – much more to come on this!

You may remember from my column in the last issue that I'm going to offer several installments in a series that covers incorporating best practices into your fuel business. In the last issue, we talked about the importance of fuel contracts and having a visible, transparent "benchmark" as a cost basis in a transaction between fuel buyer and seller. **In this column, I would like to talk about the importance of news in the way you manage your fuel book.**

Over my nearly 45-year career, I've had the honor of teaching people the basics of how fuel markets work. I trained reporters, salespeople, and customer service people the basics of this industry. And those basics are not easy to master – fuel is a complicated business, and it takes time and effort to learn about fuel markets. **Why is that so important?** Here's why, my friends – unlike paper towels, or pencils, or office machines, fuel prices are constantly changing. One day down 10cts gal, one day back up 15cts gal. It's hard to manage fuel with prices getting whipsawed like that. **How does news play into that?** Because the smarter fuel buyers have some type of intraday price discovery and news at their fingertips.

For instance– if prices go down because two or three key refineries are coming back from turnaround, thus pushing more supply into the market – that may be a good time to wait on ordering fuel. But, you can't do that if you don't have access to that news and intraday pricing. On the flip side, if prices go up because of an OPEC production cut, or the Houston Ship Channel is closed because of weather – that may be a good time to beef up inventory.

However, without some type of news source, you don't have that insight into your market. But your competition might – that's why a good best practice for your business is to look into accessing intraday pricing and news. Contact one of the industry Price Reporting Agencies – that's the best place to start.

What kind of news are you looking for? What moves markets? Here are a couple of easy tips:

Refinery Turnarounds – are either planned, or unplanned. When a refinery goes down, it will likely impact supply, and ultimately price. Knowing which refineries serve your market(s), and keeping an eye in the news for turnaround news for those plants, is HUGE.

Weekly Inventory Data – EIA releases petroleum inventory numbers every week. Specifically – It tells you how many bbls of crude are on hand, as well as gasoline and diesel fuel and what percentage US refineries are running. Watching this data week to week, and being mindful of the weekly changes, will help give you insight into near term market direction.

Daily Market Assessments – all price reporting agencies offer daily coverage on why markets moved up, or down. My suggestion is read the early morning report on what happened overseas – then a midday report and finally an end of day market overview. These articles are short and won't take much time to absorb.

Finally – one great best practice that costs nothing is this. Ask yourself on the way into work – what happened in fuel markets yesterday? Having that sense of the momentum in markets makes you a savvier fuel marketer.

Next time, we'll talk about index-based pricing, and the use of spot pipeline numbers in pricing formulas. Until then, enjoy the summer and I hope to see many of you at our Share Groups in New Orleans in September, and our Annual Conference in November in Boston. ★

Scott Berhang
CEO, SIGMA

profile:

GLOBAL PARTNERS



By Mark Ward Sr.



As President and CEO of Global Partners in Waltham, Massachusetts, Eric Slifka’s vision for the publicly traded marketer draws on past, present, and future.

“Historically,” he explains, “you go back to when crude oil was first discovered. The only way to convert crude as a commodity into cash was refining and then transporting it to retail. Vertical integration was, and still is, a competitive advantage. Our company connects terminals and supply with retail and wholesale.”

Global Partners is a leading independent owner, supplier, and operator of liquid energy terminals, fueling locations, and retail experiences. Product is sourced through longstanding relationships with domestic and international suppliers. The company’s integrated network starts with 53 terminals along the Eastern seaboard, Texas, North Dakota, and Oregon, all with a combined storage capacity of more than 21 million barrels. Global Partners then handles the logistics of marine, rail, truck, and pipeline transportation to get liquid fuels where customers need them.

“With our integrated network,” says Slifka, “we are able to respond to market changes efficiently. That ensures a balance of supply and demand, reduces uncertainty, and preserves our independence in executing our business strategy. We like to say that whether you’re driving the kids to school, picking up

a healthy snack on the go, heating your home, or using fuel to operate your business, our network supports you.”

Though the company went public in 2005, Global Partners honors its 91-year history as a third-generation, family-founded business. Slifka’s grandfather, Abraham, started a Boston-area heating oil business in 1933. Sons Fred and Richie expanded into wholesale fuel distribution and trading. Eric joined the family enterprise in 1987 and was named president and CEO in 2003. Soon thereafter Global Partners took its seat on the New York Stock Exchange.

“In everything we do, we retain the values that our founders instilled in us—integrity, generosity, and a strong work ethic,” says Slifka. “Though as a public company we’re not defined as a ‘family’ business, we have a family culture. We have people who’ve been here for decades because they care about the company and believe in our future. Our business partners, customers, and guests are often surprised at how we’ve grown so much and yet maintained our culture.”

Another legacy value that guides Slifka is his predecessors’ willingness to leverage changes in the industry. “My grandfather grew his company because he saw that home heating was switching from coal to oil,” he recalls. “Then my father leaned into change and entered the gasoline business as heating oil began to decline. Now, the gasoline business is like that today. There’s an



Albany Tank Farm

incredible amount of change happening in the industry. We can lean into those changes, see them as opportunities, and embrace the future.”

A Fresh Take

Global Partners operates its businesses under three segments: Wholesale, Gasoline Distribution and Station Operations (GDSO), and Commercial. In 2023, Wholesale accounted for 58% of revenues, with GDSO and Commercial respectively contributing 35% and 7% to the bottom line. In 2023, the three streams together brought in over \$16 billion dollars in sales.

Since entering the retail sector in 2010, the company’s multifaceted approach has built Global Partners into one of the largest gasoline suppliers, retailers, and operators of convenience stores in the Northeast and Mid-Atlantic regions. All told, Global Partners supplies more than 1,700 retail sites in 13 states plus the District of Columbia, from Maine to Virginia, and recently entered Texas, with a combined annual volume of 1.6 billion gallons.

The company’s GDSO portfolio consists of approximately 390 company-operated sites (including 64 sites in Texas operated on behalf of its joint venture), 300 sites operated by commissioned agents, 180 sites operated by lessee dealers, and over 800 other supplied sites.

“Our approach gives us flexible diversity to choose the mode of operation, geography, and branding to optimize each individual site,” explains Slifka. “On the one hand, we have the stability of

an annuity-like business with rental income from commissioned agents and lessee dealers. But we also drive growth through implementing best practices and enabling a unique experience at our own company-operated sites. And again, our integration and scale give us a competitive advantage.”

Global Partners sites can, depending on each local market, offer major brands including 76, BP, Citgo, Exxon, Gulf, Irving, Mobil, Phillips 66, Shell, and Sunoco. The company can also supply unbranded products through Xtra Fuels, VP Racing Fuels, and the Global name.

Slifka sees significant opportunities for consolidation in the c-store sector. The latest figures from the National Association of Convenience Stores show that 70% of the industry is comprised of operators with 50 or fewer sites. Sixty-three percent operate ten or fewer. “Declining demand and increasing operating costs will lead to further industry consolidation. We have a strong record for integrating our acquisitions. That puts us in a great position to lean into more opportunities, taking advantage of our economies of scale” he states.

While Global Partners’ nearly 400 direct-operated retail sites feature multiple c-store concepts, the company’s flagship store brands are Alltown and Alltown Fresh®. With 95 locations across New England, Alltown positions itself as a “community store, offering a warm, welcoming space that always has delicious meals and a huge selection of snacks made from premium ingredients.”



The Alltown Fresh concept is featured at 16 locations that offer “fresh, healthy choices and made-to-order meals—including organic, natural, gluten free, vegan, vegetarian, and locally sourced alternatives—all in a rush-free environment where neighbors can hang out with one another.” As the Alltown Fresh website puts it, “We believe you shouldn’t have to sacrifice healthy, fresh food for convenience.”

Slifka is excited to see “that our retail side is growing.” He cites Alltown Fresh and its proprietary “unexpected” offerings as “transitioning the traditional c-store into a marketplace concept. Our tagline says it well, ‘A Fresh Take on Everything!’”

Another sign of growth on the GDSO side is Global Partners’ recent joint venture with ExxonMobil to operate 64 sites in greater Houston. The metro area’s 7 million residents make it the nation’s fourth largest city, as well as the fastest growing among the top ten cities in the United States. “ExxonMobil is a leading energy brand with which we’ve had a long and successful partnership,” says Slifka. “This joint venture strengthens that relationship.”

Lowering Carbon Footprints

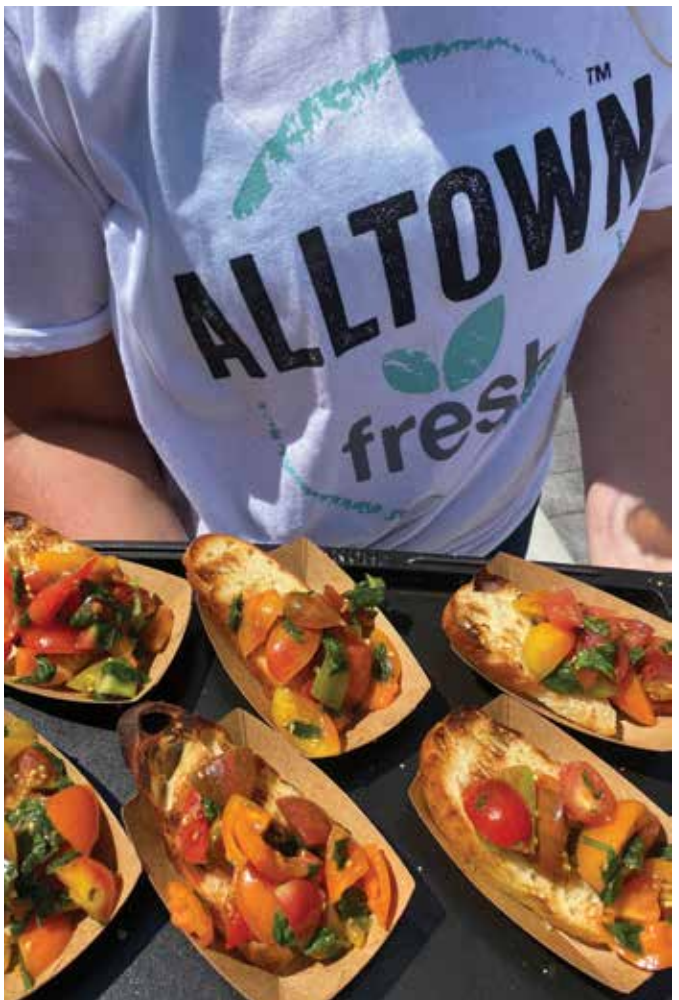
On the wholesale and commercial sides, Global Partners recently strengthened its distribution network through the acquisitions of 25 refined product terminals from Motiva Enterprises and four liquid energy terminals from Gulf Oil Limited Partnership. The Motiva assets are located on the Atlantic Coast, the Southeast, and in Texas, while the Gulf terminals boast strategic locations in Massachusetts, Connecticut, and New Jersey.

Now with a network of 53 terminals, Global Partners wholesales in 17 states and supplies commercial end users across the country. Here, too, Slifka says “change is a constant—and an opportunity. For that reason, we market all liquid fuels.”

As an example of change bringing opportunity, Slifka points to Global Partners’ GlobalGLO Low Carbon Solutions™ initiative. “The U.S. is leaning into lowering carbon footprints,” he notes. “In more states, fuel users will likely be impacted by a mix of emissions reporting and sustainability requirements by government, supply chain, and finance partners. We can get ahead of the curve by helping our customers understand the evolving regulatory and business environment, then facilitate their emissions reporting and use of low carbon fuels to meet mandates or take advantage of incentives.”

The opportunity for Global Partners, Slifka continues, stems from the fact that “our customers’ businesses are getting more complicated and less standardized, with more reporting. As their fuel supplier, we add more value by making those complications simpler for them.”

Slifka also has an eye on the emergence of electric vehicles. Though vehicle sales have recently declined, the long-term trend is toward EVs gaining a growing share of the market. In September, Global Partners activated its first company-owned EV charging station in Worcester, Massachusetts. Recently, another EV charging station was activated in Ft. Edwards, New York, and several other projects are under construction or are in planning phases in additional states. ▶



“As the country transitions energy sources, we plan to be ahead and are actively expanding our business into those alternative sources, whether they’re electric or renewable liquid fuels,” adds Slifka. “Our company has a role to play because we have the physical assets that deliver on the needs of energy transition.” Looking to the future, Global Partners launched a “Fuel the Future” design competition, asking college students to reimagine the fueling station of 2030.

“Whether it’s gasoline and diesel from more renewable sources, electric vehicle charging or hydrogen fueling, retail sites in 2030 will have to support many different types of fueling,” believes Slifka. He also envisions motorists spending more time at stations, so that the co-located convenience store must provide a higher-level of experience—not only quality food, but “other amenities, such as exercise, walking trails, dog parks, and relaxation areas that could appeal to travelers.”

A New Brand Image

Tying it all together is a new Global Partners tagline, “Putting Energy to Work,” that is part of a brand reimagining announced in March. “Our new brand image symbolizes a shift in our thinking,” states Slifka. “Our new mindset positions us at the forefront of an evolving landscape, and also highlights the grit and determination to embrace that change and deliver what is next for energy.”

The tagline captures the company’s overall vision, continues Slifka, to “strengthen and differentiate our energy infrastructure, create retail experiences that redefine convenience and hospitality, and continue to be an integral part of the communities we serve. And as the energy transition continues, we’ll guide our industry forward by leading responsibly and sustainably.”

By doubling its terminal network with the acquisitions of the Motiva and Gulf assets, Global Partners has further scaled its operations to supply more communities with energy products. At the same time, the company is promoting use of renewable diesel and biodiesel as clean-fuel alternatives. And through the launch of its “GlobalGLO” carbon offset program, customers can enjoy greater flexibility to manage their carbon footprint.

At the retail level, “Putting Energy to Work” extends beyond diverse fueling options and EV chargers. “With Alltown Fresh,” says Slifka, “our goal is to revolutionize convenience and hospitality with a focus on fresh, better-for-you food options and locally sourced products.” By leveraging technology and innovative store designs, he continues, Global Partners is creating dynamic spaces tailored to the evolving needs of customers.

“We’re also reimagining our real estate portfolio to diversify our core businesses,” Slifka reports. An example is a recent partnership with a Boston-area developer to redevelop a former liquid energy terminal. Plans for the 100-acre property include several million square feet of commercial, residential, industrial, and clean energy space.

“But the heart of our rebrand is a commitment to our people and to our community relationships,” says Slifka. “For 90-plus years, we’ve kept a strong commitment to the communities we serve.” The Global Partners rebrand encompasses additional support to employees through an employee relief fund and additional support to communities through the company’s Global for Good

Fund. “We’re not just a company,” he adds, “but a force for good and a catalyst for positive change.”

Along with the new tagline, the Global Partners rebrand sports a new logo, a stylized “O” that recalls a tank filling and that symbolizes liquid fuels of past, present, and future. The logo is complemented by new brand colors: a “strong and trustworthy Slate Blue” balanced by “approachable” Atlantic Teal and “energizing” Electric Lime. “We chose a palette that’s bold, vibrant, and confident,” Slifka states, “to represent the passion of our people and our excitement for providing the world with lower carbon energy sources.”

Not Afraid of Change

Slifka is also excited for the future of the industry and for independent marketers. “But that comes with a responsibility to be informed,” he believes. “As a company, we try to be politically active in states where we have assets. You have to be involved and know what’s going on. The downstream petroleum business has so many small and family-run operators. That’s an advantage because it gives marketers the numbers to be heard at the state and local levels.”

“We’re a big proponent of biofuels to lower carbon footprints,” he adds. “Marketers are positioned to make the argument that biofuels are a better strategy because they can be implemented now as a drop-in fuel with low to no upfront capital cost.”

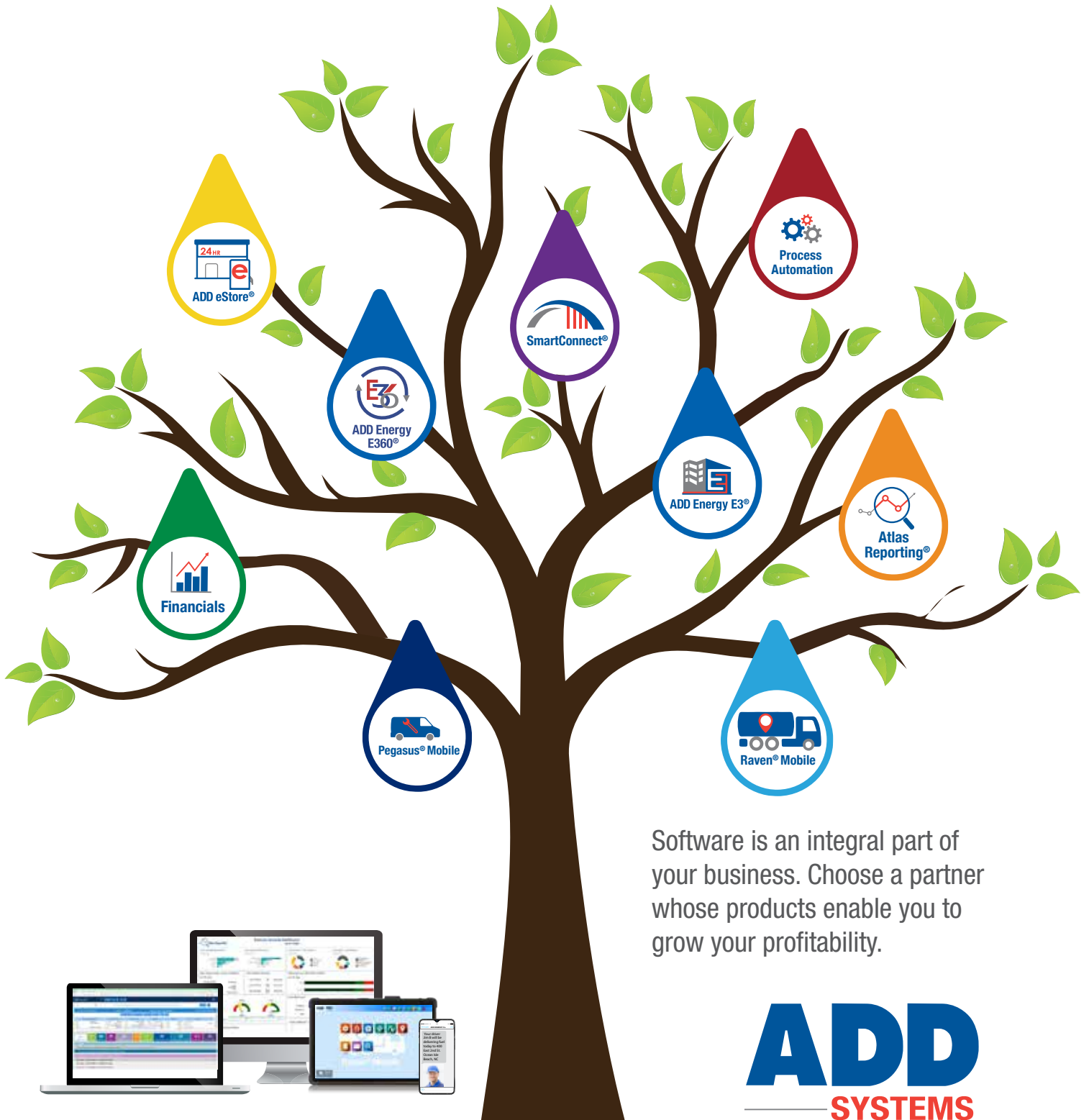
Having been with Global Partners since 1987, Slifka also testifies to the benefits of the company’s longstanding SIGMA membership. “I’ve been around long enough to remember some of the association’s founders,” he says. “Both then and now, SIGMA is a great place for networking, building relationships, professional education, and advocacy.”

Global Partners has grown exponentially since going public in 2005. “The challenge of expansion and diversification is executing each business at the highest level,” he states. “It takes being organized, not being afraid of change, and executing on the opportunities that change offers.”

Another aspect of meeting today’s challenges, Slifka says, is “knowing my role and then letting our incredible team do what they do best. I try to provide vision and focus, and then the support and tools our people need. Past, present, or future, it’s always about people.” ★

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Washington

WATCH

SIGMA Member Love's Urges Congress to Support Private Investment in Alternative Fuels

The right policy framework and incentive structure will advance the market for alternative fuels, including electricity, while lowering carbon emissions for transportation energy, Kim Okafor, General Manager of Zero Emission Solutions for Love's Travel Stops and Trillium Energy, testified on behalf of SIGMA before the House Subcommittee on Highways and Transit in April.

During a three-hour Subcommittee hearing aimed at examining electrification policy, Okafor testified that a consumer-oriented approach is the best way to encourage the market to gravitate to lower carbon fuel options while also enhancing fueling options for consumers. Okafor, who is an electrical engineer by training, has spent her career with Love's building out their low-carbon fueling solutions, which include natural gas, ethanol, biodiesel, electric vehicle charging, and hydrogen.

Okafor joined three other witnesses, including Taki Darakos, Vice President of Vehicle Maintenance and Fleet Services, PITT OHIO, on behalf of the American Trucking Associations (ATA); Kevin Coggin, Executive Director, Coast Transit Authority; on behalf of the Community Transportation Association of America (CTAA); and Nick Nigro, Founder, Atlas Public Policy.

Okafor testified that the optimal way to lower transportation fuels' carbon footprint is through policies that encourage businesses such as Love's to offer more alternatives fuels and make those alternatives more attractive to consumers. Market-oriented policies can enhance the fuel supply while lowering fuel prices for consumers and improving the environmental attributes of transportation energy.

The hearing largely focused on the Biden Administration's electrification policies, and the challenges that fuel marketers experience as they install electric vehicle charging.

Lawmakers and panelists discussed the challenges of building out a nationwide network of electric vehicle charging stations for both cars and commercial trucks, the role of public utilities, deployment of the National Electric Vehicle Infrastructure (NEVI) grants, as well as EPA's recent greenhouse gas rules for cars and trucks.

Okafor cautioned that market challenges continue to undermine the private sector's ability to profitably invest in electric vehicle charging stations. Specifically, Okafor underscored the need for competitive, transparent electricity pricing to ensure that every business pays the same electricity rate to supply their EV charging stations. The Federal Highway Administration (FHWA) also must harmonize state application standards under the NEVI grant program to ensure that consumers' charging experiences are consistent from state to state.

Any changes to the transportation energy market must work for the American consumer to be viable, she testified. Electric vehicle drivers expect a seamless and predictable experience like their current refueling experience, which includes safe, accessible amenities and affordable, competitive prices.

Fuel marketers are at the forefront of investments in new refueling technologies and their required infrastructure. The industry is actively participating in the NEVI grant program in almost every state, and more than half of all EV charging stations under the NEVI grant program are set to be constructed at existing refueling locations. ▶



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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	+0.2125	+0.2795

GASOLINE	Location	Price	Price Change	Diff	Diff Change	8:00 CT	Low	High
87 conv III	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	3.0540	2.9963	3.0667
Reg RBOB F	Gulf coast Colonial	3.1363	-0.0647 ▼	-0.0900	-0.0050 ▼	3.2010	3.1363	3.2117
LA reg CARBOB	West Coast	3.3163	-0.0597 ▼	+0.0900	0.0000	3.3760	3.3163	3.3867

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

DIESEL	Location	Price	Price Change	Diff	Diff Change	8:00 CT	Low	High
ULSD	NYH Barge	3.9995	-0.0410 ▼	+0.2200	0.0000	4.0405	3.9910	4.0603
ULSD 62	Gulf coast Colonial	3.8270	-0.0410 ▼	+0.0475	0.0000	3.8680	3.8185	3.8878
ULSD WS/BDGR	Chicago	3.6870	-0.0410 ▼	-0.0925	0.0000	3.7280	3.6785	3.7478
ULSD X	Group 3	3.8035	-0.0410 ▼	+0.0240	0.0000	3.8445	3.7950	3.8543
LA CARB ULSD	West Coast	3.6500	-0.0388 ▼	+0.1200	0.0000	3.6888	3.6422	3.7098

The Argus Spot Ticker provides four daily benchmarks that you can use in fuel contracts — 8:00am CT / 10:30am CT / 1:30pm CT / 2:30pm CT. **No other Spot Ticker offers this pricing flexibility.**

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illuminating the markets

“The refueling experience for alternative fuels should be as similar as possible to today’s refueling experience and offer the services and amenities that consumers have come to expect alongside such a network, including 24-hour access, foodservice, security, restrooms, and lighting,” Okafor testified. “Fuel retailers are best positioned to provide alternative sources of transportation energy because we have a keen understanding of on-the-go refueling preferences based on decades of studying them. This fact is essential when it comes to adoption of EVs or other alternative fuel vehicles.”



“For any solution to work, it must promote competitive market dynamics and work with consumers’ existing behavior and the business infrastructure we have,” Okafor said. “If policy does that and ensures a functioning private market, then private dollars will make sure infrastructure is there to meet consumers’ needs. If that is not done, it is likely that any public dollars spent will be stranded and wasted in ways that do not serve an appreciable number of consumers and cost far more than any benefit they produce.”

Responding to a question from Rep. Dusty Johnson (R-S.D.) about the role of public utilities, Okafor said Love’s has 640 stores in 42 states, requiring partnership with hundreds of utilities. Okafor testified that the uncertainty surrounding time required for utility upgrades, the costs associated with those upgrades, and a lack of transparency in the rate structure is a “black box” that makes it challenging for fuel marketers.

“We ask how long it will take to get the power we need and how much will it cost. For the investment, the utility portion is always a ‘black box.’ That uncertainty makes the investment challenging,” Okafor said.

Specifically, Okafor cited a location in Coachella, California, where Love’s expected to spend \$50,000 for the utility upgrade to build out a location. The utility upgrade ultimately will cost \$300,000 and take a year to install.

“Everybody realizes the fuel part of your business is a tight margin, I assume that is true whether you are selling electricity or gasoline,” Congressman Johnson said. “It’s a little hard to recover a \$300,000 line extension fee, I would think.”

Okafor testified that public utilities impose high demand charges on fuel marketers and said all businesses should pay the same, transparent rate to supply power to their electric vehicle charging stations.

Demand charges represent the highest kilowatt that is utilized during a 15-minute period over a 30-day period. Okafor testified that if one car charges for 15 minutes at 10\$ per kilowatt hour, it translates into a \$1,000 charge for the fuel marketer. Yet the customer may have only spent \$15 at the location.

Okafor further testified that the rate which public utilities charge fuel marketers also changes without notice. “That lack of transparency and lack of ability to choose a new provider puts us in a very tight spot,” Okafor said. “It’s difficult to recover that sort of investment when utilization is low.”

Minnesota Congressman Pete Stauber (R-Minn.) expressed concern with unfair competition from public utilities, which can increase their monthly charges to all customers to recoup their EV charging investments.

Specifically, Rep. Stauber cited Xcel Energy’s proposal to build, own, and operate EV charging stations in Minnesota under a \$330 million plan funded by rate basing its customers.

Congressman Mike Bost (R-Ill.) underscored the importance of entrepreneurship and allowing the market to drive the transition to electric vehicle charging. “This nation has been really, really, really good at allowing the free market to work,” Congressman Bost said. “When the internal combustion engine was created, the government didn’t have to go out to set up gas stations. Who did it? We the free people. We had entrepreneurs who saw a golden opportunity.” ★

Tiffany Wlazlowski Neuman represents SIGMA on matters of public affairs.

The SIGMA logo is displayed in a bold, blue, sans-serif font. The letter 'I' is stylized with three horizontal red and white stripes, resembling the American flag.

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U.S. East Coast Enjoys Flush Summer Gasoline Supply

BY STEPHANIE CRAWFORD, ARGUS MEDIA



The onset of the annual summer driving season in the U.S. Northeast was met with multi-month high gasoline stockpiles and sinking fuel prices at a time when gasoline demand typically begins to climb.

Atlantic Coast gasoline stocks reached a two-month high during the final week of May following increased imports and local production, which weighed on an existing regional surplus.

Total Atlantic Coast gasoline inventories have been growing since late April and rose by 3.4pc the week ended 31 May to 57.1mn bl, according to data from the Energy Information Administration (EIA). This marked the highest level since mid-March and was 7.3pc above a year earlier. Total U.S. gasoline stocks likewise reached a two-month high at 231mn bl that week as U.S. finished gasoline products supplied — a measure of demand — lagged year-earlier levels by 16pc at 1.7mn b/d.

Meanwhile, prompt summer RBOB prices at the New York Harbor dropped to their lowest point this year at \$2.35/USG on 3 June, down by 28.32¢/USG from the same day a year earlier. Steady shipments from the U.S. Gulf Coast continued to feed rising stock levels at the Atlantic Coast with the Colonial Pipeline allocated through at least late June. Gulf Coast/New York Harbor regional spreads for RBOB and CBOB averaged 15.63¢/USG on 5 June, slightly above the pipeline tariff, line loss and line space.

At the same time, the Colonial gasoline line space value reached nearly a one-month high at +6.38¢/USG, indicative of stronger shipping demand to the Atlantic coast. Meanwhile, total Atlantic Coast gasoline imports averaged 630,000 b/d in May, according to EIA data, the highest monthly level since September 2023. New York Harbor gasoline cargo arrivals reached a nine-month high in May at about 254,000 b/d, according to Kpler.

Market participants noted that European exporters continued to look to the U.S. Atlantic Coast as a supply outlet, while lower European demand weighed on domestic markets last month. At the same time, gasoline shipments from BORCO Oil Terminal in the Bahamas rose to their highest point since August 2022 last month at about 36,000 b/d, accounting for 14.4pc of New York Harbor gasoline cargo arrivals. Higher local production also played a role in increasing stock levels last month. Total Atlantic Coast refinery runs averaged 88.7pc in May, according to EIA data, the highest level since December following first quarter turnarounds that extended into April.

In the meantime, weaker regional spot demand persisted in New York Harbor so far this season, contributing to outright prices hitting consecutive lows during portions of May and early June. Market participants remarked that changes in the regional supply/demand balance were more likely to result from adjustments on the supply side, while the demand outlook remained bearish through at least the first week of June.★



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Inside

RISK MANAGEMENT

Take 10 Minutes to Review the OSHA Top 10

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



The Occupational Safety and Health Administration (OSHA) Top 10 list addresses the most frequently cited standards following inspections of businesses and worksites by federal OSHA. For those in the petroleum industry, this list is particularly beneficial in enhancing safety practices and risk management within the industry.

Why Should you Review this List?

Each year, OSHA posts their Top 10 violations after the month of April to allow the prior fiscal year's inspection data to finalize.¹

By focusing on the OSHA Top 10 list, businesses in the petroleum industry can gain targeted insights into the regulatory landscape, helping them align their operations with industry standards to help avoid common pitfalls, and highlighting specific safety concerns and compliance requirements.

In Fiscal Year 2023, the Top 10 Included:

1. **Fall Protection(C)**
2. **Hazard communication**
3. **Ladders(C)**
4. **Scaffolding(C)**
5. **Powered industrial trucks**
6. **Control of hazardous energy (lockout/tagout)**
7. **Respiratory protection**
8. **Fall protection training(C)**
9. **Eye and face protection(C)**
10. **Machinery and machine guarding**

Is Your Business Operating Safely?

OSHA inspections across the nation are completed at both the state and federal levels. In 2023, over 76,000 OSHA inspections occurred, resulting in more than 140,000 violations and over \$383 million in total penalties.² Knowing that these risks exist ►

1. <https://www.osha.gov/top10citedstandards>. Top 10 Most Frequently Cited Standards. Accessed 4/30/24.
2. <https://enforcedata.dol.gov/views/oshalab.php>. Data Enforcement. Accessed 4/30/24.



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— and that there are plenty of safety resources to help mitigate them — what will you do for your business to avoid becoming a part of these statistics?

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Staying up-to-date as these topics evolve is necessary to help prevent costly and dangerous losses and can help to ensure



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.

This article is for general information only and should not be considered legal or other expert advice. The information herein may help reduce, but is not guaranteed to eliminate, any or all risk of loss. The information herein may be subject to, and is not a substitute for, any laws or regulations that may apply. Coverage will be determined by the facts of the claim and the terms of your policy, if approved for issue. All products and services not available in all states. Qualified counsel should be sought with questions specific to your circumstances.



Inside

CONVENTIONS

SIGMA 2024 Spring Conference Recap



SIGMA hosted its 2024 Spring Conference on May 6-8 at the Omni Barton Creek in Austin, Texas. Networking started even before the official start of the conference as attendees competed on Monday morning in the SIGMA Open Scramble sponsored by Gulf Oil on the links at Fazio Foothills. Early arrivals that chose not to golf enjoyed time poolside at the Omni pool, sponsored by Argus Media.

Wednesday afternoon, the conference kicked off with the Opening General Session featuring a presentation from Matthew Schoeppner, US Bank, on “U.S. Economy: What’s in Store for the Rest of ’24?” Providing a comprehensive look at the latest details of the United States economic outlook, Matt used insights from his daily work to discuss the possibilities that may lie ahead as we progress into 2024.

On Monday evening, attendees had a fabulous time networking and socializing at the Welcome Reception sponsored by Motiva Enterprises. With a wild and wacky “Keep Austin Weird” theme, attendees enjoyed cocktails and light hors d’oeuvres before heading out to dinner on their own.

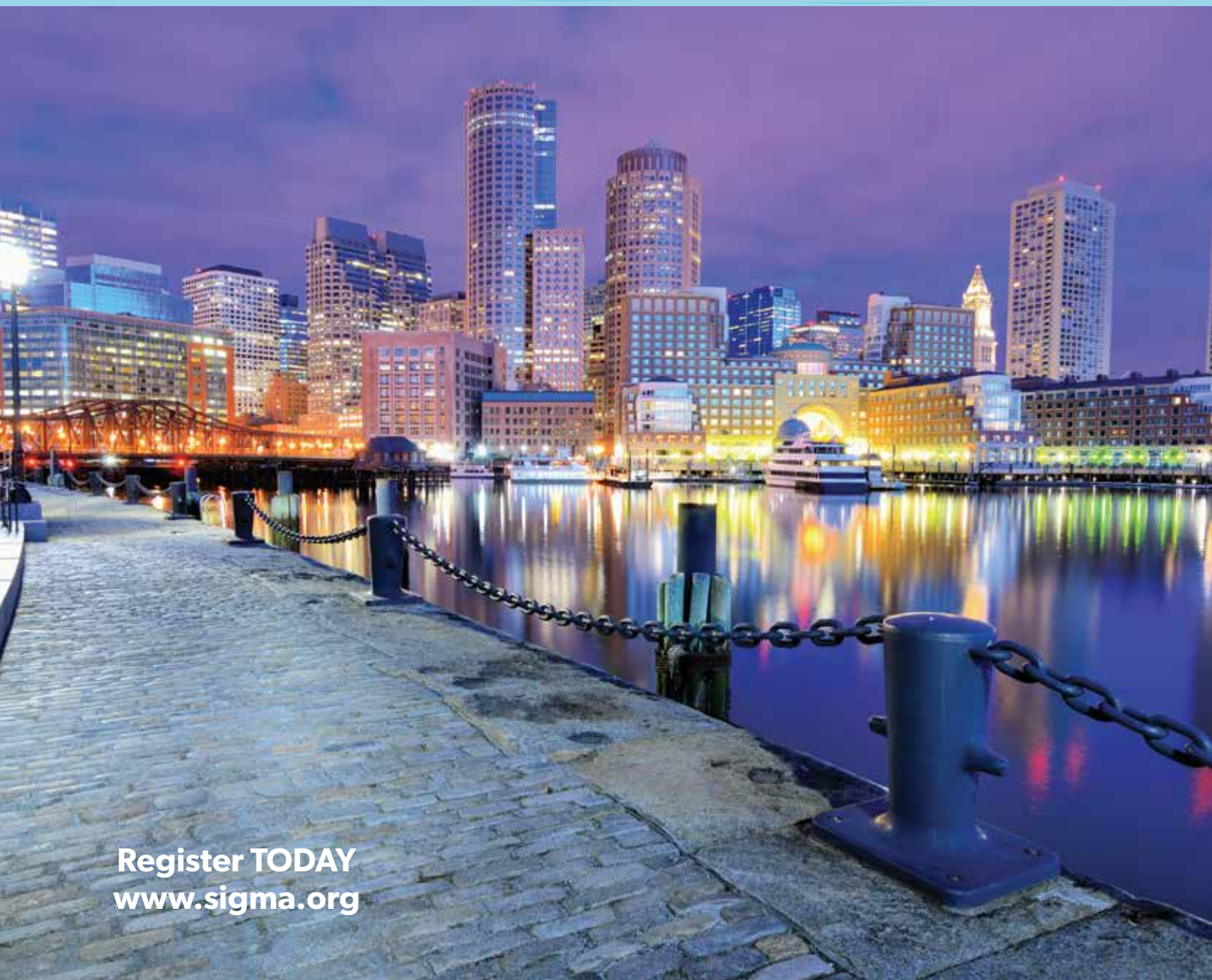
After the reception, for those not venturing to dinners, SIGMA’s Fuel Foundation presented a Casino Night sponsored by Hightowers Petroleum Company. Guests competed in blackjack, roulette, craps, and Texas Hold’em for chances to win raffle prizes at the end of the night. A great time was had by all who participated while raising funds for the Foundation’s scholarship programs.

Tuesday morning opened with a Breakfast Education Session presented by Ken Evans, DTN, on “Creating Resilience with Smart Fuel Networks.” Following the session was the Legislative Issues Briefing, where SIGMA’s Government Relations Team brought attendees up to speed on what is, and is not, happening in Washington, D.C., as well as offering their insights and predictions for what the rest of 2024 will bring leading into the November elections. After a Lunch Education Session featuring an Industry M&A & Capital Markets Update from Cedric Fortemps, John Whalen, and Ryan Weir, Matrix Capital Markets Group, Inc., attendees had the opportunity to participate in Breakout Education Sessions throughout the afternoon on timely and relevant



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topics of interest. The day concluded with the All Industry Reception sponsored by Motiva Enterprises with a Texas theme complete with a chuckwagon and a Texas Longhorn steer.

Wednesday morning the conference concluded with the Business Meeting and General Session, where attendees were introduced to new SIGMA CEO Scott Berhang and briefed by SIGMA President Dale Boyett and other members of the SIGMA Board of Directors on the strength and health of the association. Following the SIGMA committee reports, attendees enjoyed hearing from Prentiss Searles, American Petroleum Institute, on “Change is Afoot – So Many Rules In Such a Short Time Mean Change for the Transportation World.” From California to the East Coast, from the Midwest to DC, there are new rules that will change what vehicles and fuels are sold. Prentiss reviewed for attendees the federal and state rules that affect the passenger vehicle and trucking fleet, the fuels that are sold and could be sold, and how all this fits together for the future.

The second presentation of the session was from Tom Kloza, OPIS, on “Big Data Sets for Big Results: How Huge Publicly Available Data Sets are Shaping the Oil Markets.” Amazon, Google, and Meta aren’t the only companies using Big Data to advance their penetration in sales, research and marketing, Tom said. Savvy oil analysts and fuel marketers have discovered new tools available in the public and private domain to analyze everything from crude oil prices to product margins to volume fluctuations at specific sites. This data can affect models, real estate decisions, and how you measure yourself against competition. Tom’s presentation dove into the details of how Big Data can affect the markets and your own business.

Next on the SIGMA calendar are SIGMA’s Share Groups in New Orleans September 17-20. Share Group topics include Mobile Fueling, Tankwagon, and Cardlock; Maintenance and Environmental; Transportation; Credit; Fuel Buying; and IT. These day-and-a-half topic focused sessions are ideal for every member of your team, from the executive level on down, offering peer-to-peer information sharing and tips you can take home and put to immediate use.

For a full listing of SIGMA events for 2024 and beyond, visit the SIGMA website at www.sigma.org ★



SIGMA 2024 OPEN SCRAMBLE WINNERS

First Place

Scott Cozart, Motiva Enterprises

Jordan White, DTN

Mark Magee, Motiva Enterprises

Cole Wagner, Growmark

Women’s Closest to the Pin

Taylor Hansen, Delek Trading and Supply

Men’s Closest to the Pin

Dave Makowski, McLane Company

Women’s Longest Drive

Taylor Hansen, Delek Trading and Supply

Men’s Longest Drive

Matthew Speake, Global Partners

First Place Raffle Winners

Kevin Cashdollar, Newman Properties

Paul Conibear, Newman Properties

Joseph Cote, Dennis K. Burke, Inc.

Ken Kolde, CITGO Petroleum Corporation

Second Place Raffle Winners

Brian Baker, J.D. Streett & Co.

Jeff Davidson, Midcontinental Chemical Co.

James McNutt, Midwest Petroleum Company





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Inside

FAMILY BUSINESS

PRESENTED BY RONALD C. REECE, PH.D.

The Business of Family



In weekend family business retreats I often allocate the time based on two primary categories – *the Business of Business/Working on the Business (WOB)* and *the Business of Family/Working on the Family (WOF)*. Family discussions will focus on history, values, relationships, mission, personal accomplishments, perception of the business, communication etc. There are no absolute guarantees. However, consciously seeking to improve and strengthen family harmony is an inoculation that also can protect the business.

“All happy families are alike; each unhappy family is unhappy in its own way.” I have thought about this quote from Tolstoy’s *Anna Karenina* many times in the almost 50 years that I have been working with families.

Comedian George Burns reflected, “Happiness is having a large, loving, caring, close-knit family in another city.”

The truth is families are simple and very complicated at the same time. Simple in that they are primarily about love and nurture. They are complicated because being part of a family requires us to manage individual human emotions, drives, and needs in a group.

Families are intricate systems that seek to provide stability, constancy, tradition, heritage, acceptance, and a sense of belonging. Our families continually remind us of where we came from and who we are. Family systems grow fast but change slowly. Some are crazy or cold or uncaring. Most manage to make a place for us.

Some time ago, I was reading a due diligence checklist used for evaluating a business to buy. It made a lot of sense. Then I thought “what if you were looking to buy a family”? Okay call me crazy but stay with me. What characteristics would we be looking for and why? How would we measure and evaluate it so that we could purchase a happy robust one? Would you want to buy yours?

Well, let’s look at some things we deal with and strive for in a family.

Traits of a Healthy Family

- Communicates and Listens
- Affirms and Supports
- Teaches Respect
- Develops Trust
- Plays and Laughs
- Shares Responsibility
- Teaches Right from Wrong
- Values Kinship
- Shares a Spiritual Core
- Respects Privacy
- Values Service to Others
- Values Family Mealtimes
- Shares Leisure Time
- Admits to Problems
- Seeks Help ▶



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High Performing 'Happy' Family

• Excellent Ability to Manage Conflict

Disagreement and conflict are inevitable and even helpful. Without it we might never think about adjustments or improvements that need to be made. For example, research on birth order tells us that last-borns often shake things up and don't accept the status quo. Are the family's methods of managing conflict autocratic, democratic, laissez-faire? What works for one may not work for another.

• High Commitment to Nurture and Continuous Learning

Expressions of warmth and care along with encouragement to explore and learn means there is an emotional openness and willingness to try new things. There is recognition and embrace of life beyond the family.

• Clear, Probably Written, Vision, Mission and Values – Sense of Legacy

Being mindful or intentional about this and recognizing that values are ideals that shape and give significance to our lives (and work) that are reflected through the priorities we choose, the decisions we make, and the actions we take. Having a consensus developed mission and values statement like: As a family, we believe in providing affection, compassion, and humor to create an environment for personal growth, trust, mutual respect, and love.

We value life pleasure, security, parenthood, affection, independence, and service to others.

• High Accountability

Follow through on commitments and care-fronting when someone doesn't.

The mission statement, values, and code of conduct are the guides.

• Strong Sense of Love and Trust

These intangibles are observable in eye contact, physical proximity and touch, tone of voice, and willingness to be demonstrative and vulnerable. One of my clients asked his family group, "What is the surest way to destroy love"? One member answered profoundly, "Withhold it."

• Deep Appreciation of Diversity and Ability to Flex Roles

Separation and individuation are important aspects of a psychologically healthy person. Allowing for, encouraging, and ultimately relying on the different knowledge, skills, abilities, and personal styles of each family member requires stepping back from each other to observe, then being willing to share

or change roles as needed. For example, the chief emotional officer's role in a family is critical. From time to time there may be a need to change who performs all or some of that role. Or dad might need to not be in charge for awhile, step aside, and learn from his son.

• Clearly Defined Methods for Communication Supported by Written Code of Conduct

Agreeing and committing to predictable face to face venues for exchange of ideas, listening and challenging one another. Again, this is about being mindful. For example: We will treat each other respectfully and communicate directly with each other. No festering and no triangulation allowed.

Business due diligence seems easier, but one thing for sure families are about are relationships, and over time I have developed **Ron's relationship rules:**

- Relationships are some of the most challenging things we do
- Even more difficult when business and money are involved
- We keep expecting them to be easy
- Conflict is inevitable
- Relationships can change
- You can only change yourself not the other person
- If you change yourself the relationship changes
- Small changes can make a significant difference
- Ask respectfully for what you need or want; you just might get it
- Listening and tolerance are of primary importance
- Make positive deposits generously and often

The last ones about listening, tolerance, and positive deposits seem to me to represent a critical defining factor of happiness. Using our two ears and one mouth, accordingly, showing humility, recognition, appreciation, along with open demonstrations of care and love may be what Tolstoy was referring to when he wrote "*All happy families are alike*".

Soon,
Ron

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

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SUBSCRIPTION-BASED SERVICES IN THE C-STORE SPACE

BY MAURA KELLER

There's a growing trend towards subscription-based services within the retail sector, allowing consumers to access products or services through ongoing payment plans consistently. These services includes components such as monthly subscription boxes, programs that reward loyalty, and subscriptions for digital content.

As their core, subscription services are business models where customers pay a recurring fee for continuous access to a product or service. Initially popular in media and print, this model has expanded significantly with digital transformation, now encompassing diverse offerings like streaming services, software, and physical goods.

“Modern subscriptions focus on personalization and flexibility, catering to customer preferences and allowing easy management of subscription plans,” says Josh Royal, founder and CEO of Aventus, a customer service solution for subscription-focused brands. “An additional feature to highlight is convenience. When the subscription is for a product that you use daily or weekly that depletes, you want to have the convenience of getting more without having to remember or place another order.”

Joe Yetter, general manager of digital engagement at PAR Technology, has several customers in the convenience store space, including Loves, Stinker Stores, and Hucks, that they assist with their subscription offerings. As Yetter explains, subscription services are a recurring payment model to provide loyal customers exclusive access to a product or service, such as discounts or special offers. Amazon Prime is a well-known example.

“You pay a subscription fee and get free shipping, discounts, and access to other features. These services have exploded in popularity – the average consumer has 4.5 subscriptions,” Yetter says. “Initially popularized by streaming services like Netflix and Spotify, subscription services have expanded to nearly every sector, including paid loyalty program tiers that are gaining traction.”

And now convenience stores are leveraging the constant demand for gasoline to enhance loyalty and revenue through subscription services. As Yetter explains, many drivers regularly visit the same gas stations due to their convenient locations.

“Offering a subscription service that provides gas price discounts, c-store perks, or rewards can make these trips even more appealing,” Yetter says. For example, RaceTrac offers a VIP tier in its rewards program, granting customers additional gas discounts.

According to Eliot Vancil, managing partner at Fuel Logic, a Dallas, Texas-based company specializing in comprehensive fuel management solutions, including delivery of various diesel

types and gasoline nationwide, it's no secret that subscription services have changed. Gone are the days of uncomplicated, once-a-week deliveries, and in their place, the industry has seen a shift towards more complex, omnichannel solutions across a wide range of industries, from gas stations to convenience stores.

“Retail stores must consider the value that subscription services offer customers, making sure their subscription offers distinctive advantages such as access to unique products, ease of use, or money-saving benefits,” Vancil says. “It's also vital for retail stores to keep their supply chain and delivery systems dependable to keep customers happy, and they need to concentrate on keeping customers coming back by providing tailored content and loyalty incentives to reduce the customer loss rate.”

At Fuel Logic, they enable businesses and individuals alike to benefit from flexible, repeatable fuel delivery options that offer effective operational planning and efficient budgeting.

For example, in the gasoline industry, the integration of subscription services includes scheduled fuel deliveries at pre-determined prices. This model can help reduce the uncertainty of price volatility for a business. This subscription-based model offers a consistent fuel supply while increasing customer loyalty through predictable and simple pricing structures.

Bonnie Woods, convenience strategist at Paytronix Strategy & Analytics, says that subscription services provide a recurring benefit or product to the consumer for a fixed fee, typically recurring monthly or annually. And that the types and popularity of subscriptions have increased substantially in the digital era as consumers become more accustomed to online subscription services like Amazon Prime and streaming services like Netflix.

“Subscriptions are relatively new to the convenience industry. Retailers are exploring everything from product mix, pricing, and value prop to striking the proper promotional balance of the subscription with other high-visibility promotions,” Woods says. “To date, most c-store subscriptions have launched with daily freebies for high-margin, high-volume products, particularly dispensed beverage, with attractive pricing to appeal to customers not already purchasing dispensed beverage daily.”

Some brands also have launched fuel discount subscriptions, where the customer locks in an everyday cents off per gallon discount for a fixed monthly fee.

“These types of subscriptions are challenging depending on the market, especially in competitive fuel markets that are already saturated with steep daily discounts through loyalty or ACH,” Woods says. ▶



That said, for retailers, the advantages of subscription services can be considerable. “Convenience store owners considering this model say the main benefits include generating a consistent income stream and building customer loyalty through consistent engagement,” Vancil says. “Offering subscription services creates a steady flow of income, which helps with budgeting and maintaining financial health. These services also encourage customer devotion, resulting in a higher value for each customer.”

Vancil points to a report from McKinsey that shows that 15% of online buyers have signed up for an e-commerce subscription service in the last year, showing promising growth prospects.

“Subscriptions also provide essential insights into the market and enables retailers to grasp what customers like and how they act more accurately,” Vancil says. They also can lead to more precise marketing strategies and better stock control.

Yetter believes that for c-store owners, the key to successful subscription services lies in a people-first approach. Every customer is unique, and their offers should reflect this. For example, offering a regular coffee drinker a coffee pass or subscription where they get a coffee every time they visit the pump, can drive them inside the store.

“Consumers value simplicity, gamification, and emotional benefits, especially in today’s economic climate,” Yetter says. “Financial incentives are particularly effective in driving consumer action. While subscription services can increase customer spending and satisfaction, they require careful management to avoid complexities and ensure consistent value delivery.”

Seamlessness also is crucial for subscription services in the gasoline industry. Yetter says that customers should be able to enjoy their perks everywhere – at the pump, online, on mobile apps, and at the register.

“Establish clear rules for subscription passes, such as limiting a customer’s coffee subscription to one drink per day or prohibiting users from redeeming points for restricted items like cigarettes and alcohol,” Yetter says. “Considerations like this help brands maintain margins, protect their programs from exploitation, and keep them compliant with regulations.”

Inherent Challenges in Subscription Services

While traditional subscriptions have the potential to drive higher frequency and spend among subscribers, Woods says the reach is typically limited as it is likely to appeal to a small single-digit subset of a retailer’s customer base already shopping in store and already purchasing those products. That’s why Woods recommends setting internal expectations that subscriptions are just one of many engagement-driving investments that can grow customer frequency and loyalty.

“Some retailers are taking a nod from industry giants like Amazon and CVS and are experimenting with status-based, multi-faceted subscriptions, including options like free delivery, priority order prep/skip the line, guaranteed free products, money back (subscription is \$10/month but members get a \$5 gift card every month), etc.,” Woods says. “Effectively, this is like buying into a VIP tier with exclusive perks. Adding in multiple and non-monetary benefits makes it easier for consumers to justify a mental cost-benefit analysis which may drive higher signups.”

Before launching a brand-wide subscription, Paytronix recommends retailers survey customers for insights into optimal pricing and product mix. Retailers should also consider testing in a limited market for both technical and financial validation before rolling out at all locations.

Of course, with any technology platform there are drawbacks. Some of these include the upfront setup costs of the technology infrastructure and the need to carefully manage pricing in an environment where fuel prices are constantly changing.

Vancil adds that one of the most important factors to consider is regulatory compliance. This includes compliance with fuel storage and safety requirements. Operators must also be open and honest about pricing to maintain trust and comply with consumer protection laws.

“C-store owners should also consider customer demand, clearly define the value proposition, and ensure they have the technology to manage subscriptions efficiently. Partnerships with other service providers can enhance offerings,” Royal says. “While subscriptions can increase customer loyalty and provide

predictable revenue, they require significant initial investment and efficient management to avoid high churn rates.”

Promotion Know-How

Successful promotion of subscription services requires focusing on the benefits and ease of use, using social validation with customer reviews and support from influencers, and providing adaptable options and introductory offers to draw in doubtful consumers.

“Effective promotion strategies include in-store advertising, leveraging digital marketing channels like social media and email, and offering incentives such as introductory discounts or subscribe and save,” Royal says. “Educating customers on the benefits through staff training and informational materials can also drive sign-ups and increase engagement. You would think free trials are effective, but they are actually more confusing to the consumer.”

Vancil says images and straightforward communication that highlight the distinct advantages of the subscription can increase its attractiveness.

“To promote these services, digital marketing must emphasize the advantages of subscriptions in terms of convenience and cost,” Vancil says. “Customers must also be engaged directly through targeted marketing and loyalty programs, which can be incredibly effective.”

These services can also be promoted through digital marketing, emphasizing ease of use and affordability.

“Customer reviews, loyalty programs, and targeted promotions can also help,” Vancil says. “By concentrating on these approaches, businesses can effectively introduce subscription services, building enduring connections with their clients and promoting continuous expansion.”

Woods adds that the success of subscription program depends largely on the execution, as is true with any marketing effort.

She recommends retailers commit to heavily promoting the subscription program for at least six months – via billboard, radio, pump toppers, window clings, etc. Make the subscription the central focus and limit marketing of other high-visibility promotions for a period of time to capture consumer attention.

“Your existing loyalty members are one of your most important resources for developing and growing a subscription program,” Woods says. “Segment loyalty members based on prior purchases to tailor messaging and communication frequency depending on each guest’s likelihood to join the subscription program.”

The promotion of the program also needs to be straightforward, creating value for the consumer to keep them delighted throughout the subscription period (and discourage cancellations).

“C-stores should trigger campaigns to incentivize guests to use their subscriptions,” Yetter says.

A successful subscription model should also offer seamless payment options and a distribution model that supports the customer experience. As Yetter explains, this includes a streamlined pickup process, automated reminders, recurring payment tracking, and communications across multiple channels (SMS, email, etc.).

“Additionally, it’s important to provide a clear and transparent process for when a customer wants to opt-out, with flexible options and good customer service,” Yetter says.

What the Future Holds

On the horizon, Woods expects convenience retailers to continue experimenting with different subscription options. “I expect some will introduce VIP-style programs, leaning into the ‘exclusivity’ angle where customers can purchase subscription-only benefits, possibly even partnering with brands in other industries,” Woods says.

Yetter adds that the future of loyalty lies in convenience. Customers prefer not to carry cards or keychain fobs. With many vehicles now allowing keyless operation, removing the need to dig out a key for purchases is crucial.

“Integrating rewards with payments to streamline the checkout process can significantly enhance the customer experience, fostering long-term loyalty,” Yetter says. “Additionally, this integration allows brands to gather more customer data, enabling them to offer more personalized rewards and offers.”

Royal also notes that the future of subscription services will likely see increased personalization through data analytics, integration with smart technology for seamless experiences, and a focus on sustainability. “The model will continue to expand into new industries, offering innovative services and bundled packages that cater to evolving consumer demands for convenience and personalized offerings,” Royal says. “I think we’ll see more tailored and personalized products being offered, especially how AI/SEO are tailoring the algorithm in that direction.” ★

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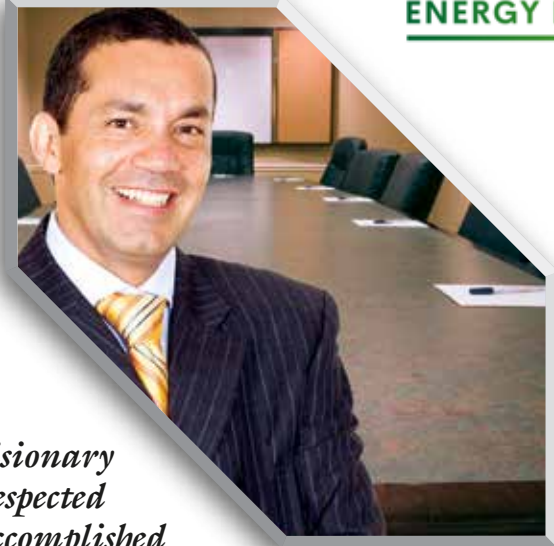


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Speedier Forecourts Can Pay Quick Dividends for Customers, Capital programs, and the Bottom-line

BY TONY CAPUTO, WARREN ROGERS PRECISION FUEL SYSTEM DIAGNOSTICS



Fuel operators are under constant pressure every day to make the right decisions related to the operation of their stores..... Improve foodservice, build more and larger stores, upgrade equipment, remodel stores, add EV, and much more. However, there are some areas of the business where improvement can occur with minimal capital outlay while increasing the efficiency of your current fuel forecourts. These benefits also pay off in the areas of increased customer satisfaction and bottom-line profitability.

Often, fuel operators upgrade dispensers and tank monitors and build larger locations when increasing the efficiency at their current locations could be a more cost-effective solution. Optimizing the equipment at current locations can be both a short-term and long-term solution to overall company health.

Some areas to focus on for immediate benefit and ROI are:

- Dispenser flow rate optimization
- Targeted dispenser filter changes and maintenance
- Dispenser downtime monitoring
- Fuel system STP and manifold performance

Dispenser flow rates can only be improved if you have technology in place to accurately measure your transactions. The days of

using stopwatches and once-a-year flow checks during meter calibrations should be far behind us. Many monitoring solutions today offer transactional flow rates; however, the key is the curation of the data before acting. Transactional flow rates can be all over the board when you review numerous single transactions in real-time. Curation is key and can be performed by more-robust monitoring solutions. The review of dozens or hundreds of transactions can truly indicate when slowing flow is occurring or a sub-par low maximum flow rate is taking place.

The customer and financial benefits come with targeted filter changes, discovering slowing flow before it becomes noticeable to the customer, and lowering your on-site maintenance and filter costs. Today, when a store manager reports a flow rate complaint, the customary response is for a maintenance mechanic to change all filters on all dispensers. This takes additional time, interrupts customers, and runs up your maintenance costs for filters and labor, all for naught. If a dispenser is performing well, leave it alone!

A company can also eliminate the periodic changing of dispenser filters with a robust flow rate monitoring system in place. The savings can be in the hundreds of thousands of dollars annually. As shown below, the increase of dispenser flow rate can

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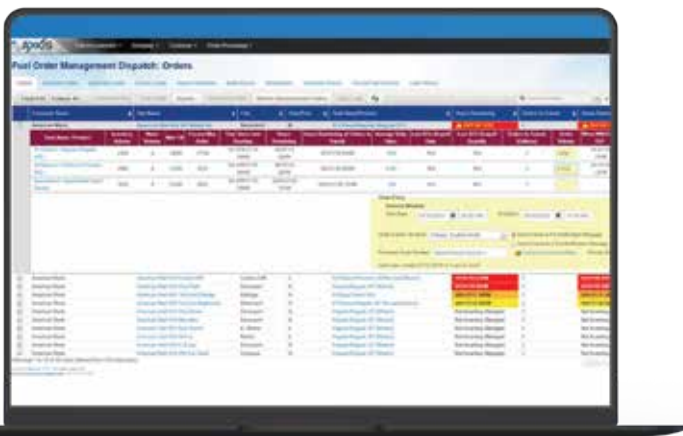
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BY OPIS, A DOW JONES COMPANY

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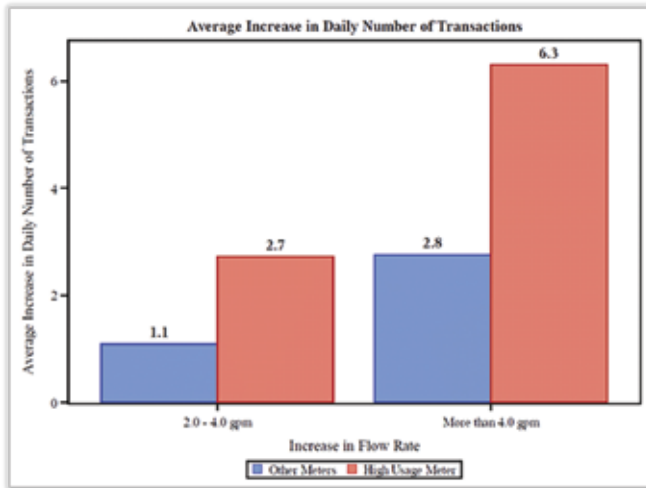
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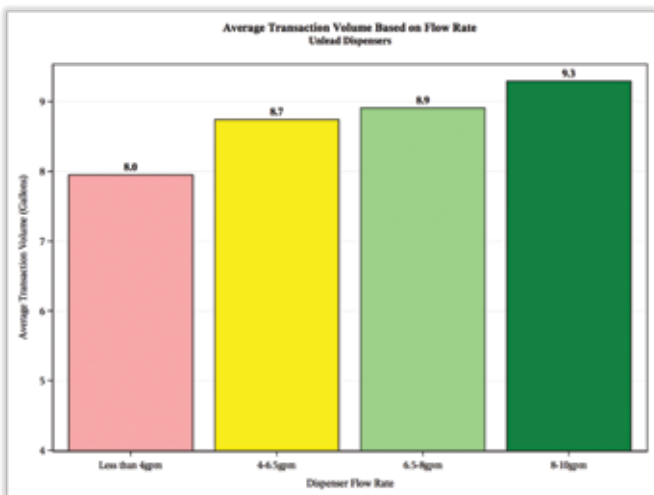
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SPEEDIER FORECOURTS CAN PAY QUICK DIVIDENDS FOR CUSTOMERS, CAPITAL PROGRAMS, AND THE BOTTOM-LINE

increase the number of transactions per dispenser per day by up to 2.7 with an improvement of 2-4 gallons per minute per transaction. With improvements above 4 gallons per minute, the improvement can be as high as 6.3 depending on the usage of the dispenser. Do the math....10 dispensers with an increase of 6.3 can result in up to 63 additional transactions per day at 10 gallons per transaction.



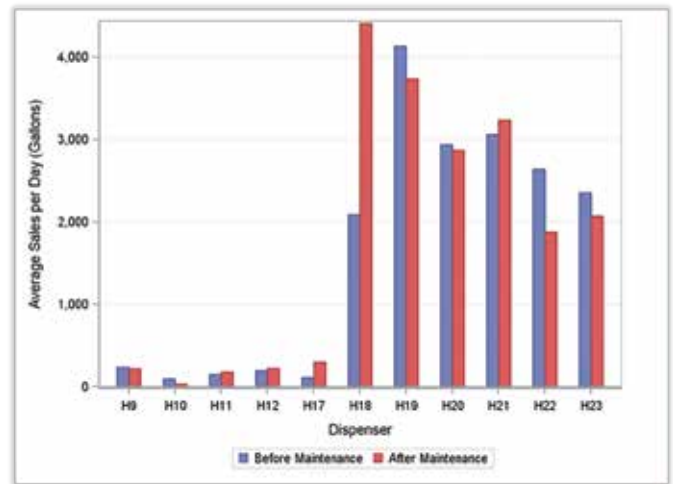
As shown in the graph below, and based on client performance over time, the increase in flow rate can also increase the “basket size” of every fuel transaction. With improved flow rate, the impact can be as high as 1.3 gallons per transaction. Why does this occur? Quite simply, customers hate to wait and become infuriated with slow fuel dispensers! Who has not personally stopped a slow-flowing transaction at 3 gallons just to get to the next gas station, never to return to the underperforming location?



Another area of opportunity is quick notification and repair of dormant or non-operational dispensers. The common thought is that a single down dispenser will not affect overall location gallon throughput and that is far from the truth. No matter how many

dispensers are non-operational, the overall impact to average gallons will decrease up to 10% or more. As shown below, Dispenser 18 was non-operational, moving some fuel sales to other dispensers during the downtime event. However, the overall net loss to the location was more than 10% as many customers simply drive off in frustration when a dispenser malfunctions or is blocked or bagged off.

Today’s technology can detect dormant dispensers quickly, removing the reporting of down dispensers through manual methods, such as by store personnel. Often, that process is wrought with failure when the condition goes unreported or misreported to proper personnel. Reviewing the sales impact of down dispensers can also help to prioritize how quickly and in what order that you dispatch for service.



Some final areas that can impact forecourt performance are related to STP and manifold performance. Improperly performing manifolds and siphoning between tanks can create havoc from a fuel system standpoint and lead to fuel runouts and delivery issues.

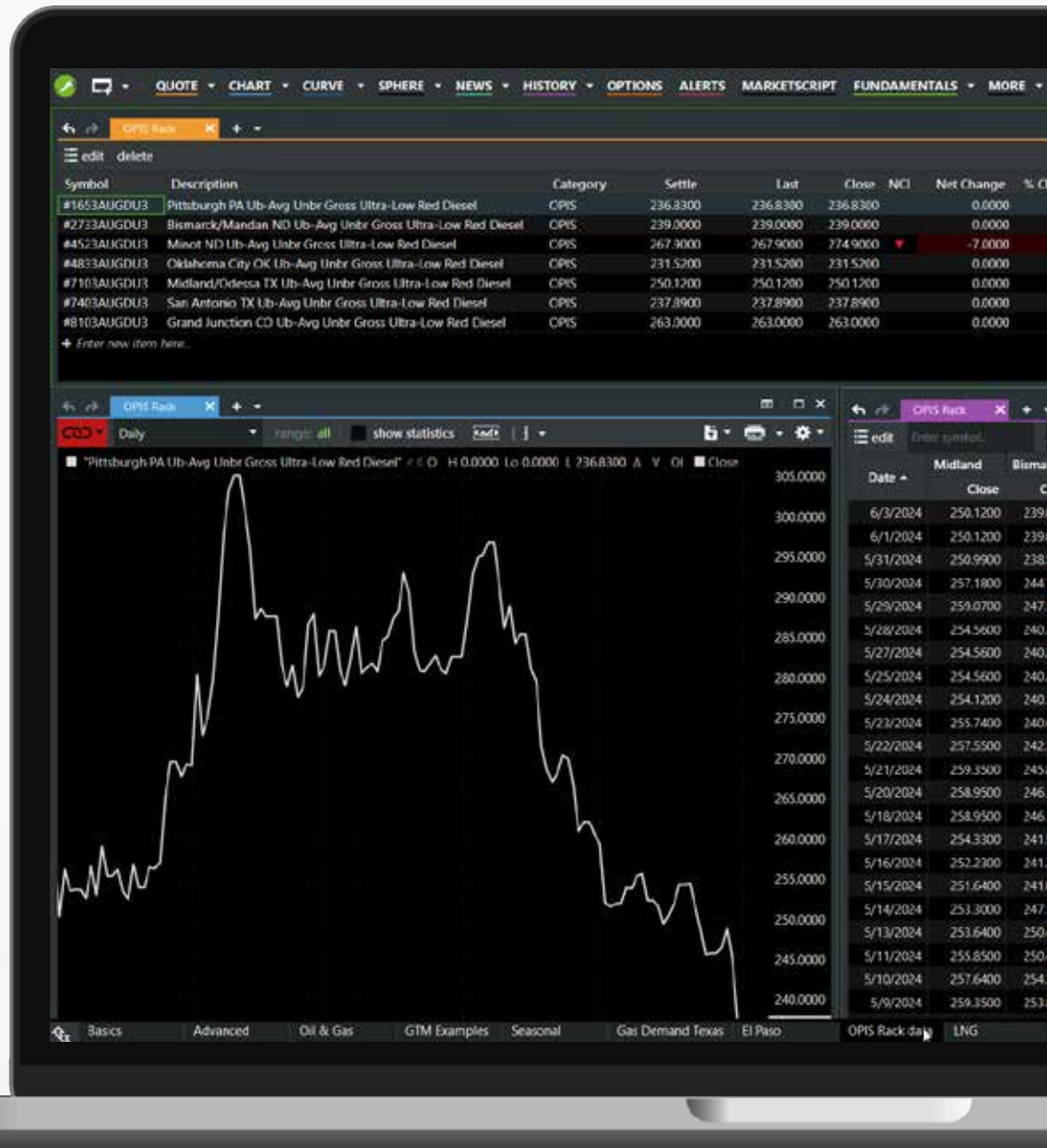
Technology exists to check the “heartbeat” of your fuel systems to make sure that they are reacting properly during and after deliveries, as well as between deliveries. In the example below, taking 2 to 3 days for two tanks to balance the delivery can lead to overfills in one tank when a delivery is needed and a system shutdown if one of the tanks reaches a low level. Plenty of fuel is available, however the manifolding issue has caused one of the tanks to reach very low levels, potentially creating a minimum level condition and costly fuel runout. Fuel runouts can also damage equipment. ▶

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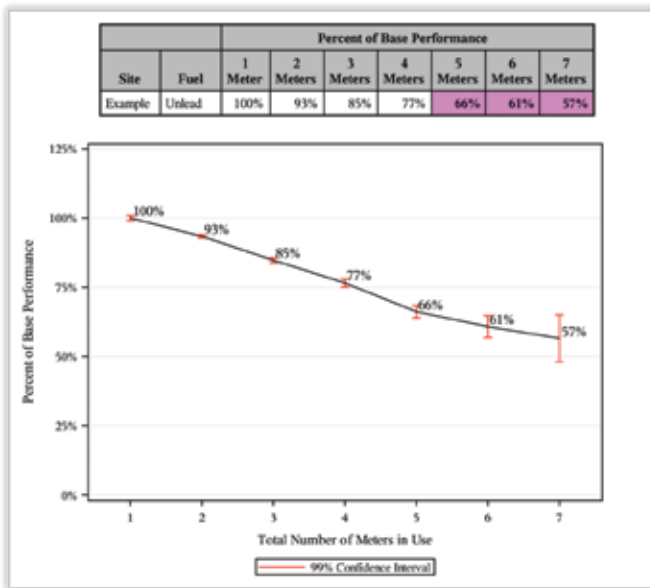
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SPEEDIER FORECOURTS CAN PAY QUICK DIVIDENDS FOR CUSTOMERS, CAPITAL PROGRAMS, AND THE BOTTOM-LINE



In the example below, STP performance can go undetected during normal manual flow rate checks at the location. Often, these checks are done with a single dispenser during a slow period at the location to avoid impacting customers. A great initiative, but the true STP performance may not be accurate at a single dispenser during a slow period of business. In the case below, the STP performance issue was taking place when more and more dispensers were in use. During the busiest times, when you need high performance, this location suffered dramatically! These issues cannot be detected manually, but technology exists to gauge performance over time and with numerous dispensers engaged.



In summary, building bigger and better is great! However, true ROI resides in maximizing the performance of your existing locations through the tips shown above. No capital outlay and the benefits for customers, store personnel, image, and the bottom-line are paramount! ★



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.





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Hurricane Jitters or The Case for a Tropical Apocalypse

BY TOM KLOZA, GLOBAL HEAD OF ENERGY ANALYSIS, OPIS



Deposit Photos

It's too bad that the term "Tropical Apocalypse" is already taken. It is the name affixed to a potent potable in the Caribbean that blends golden sour beers aged in oak barrels with pineapples. It is also the title of a non-fiction book that depicts Caribbean history as a consequence of natural and man-made disasters.

But 2024 may bring new meaning for the term thanks to sea water temperatures that are off the charts and the shift from an El Nino to La Nina climate pattern. In late May, scientists from the National Oceanic and Atmospheric Administration (NOAA) predicted that the 2024 hurricane season could be the most prolific and damaging yet with conditions ripe for extreme weather events.

Oil traders and marketers remember some of the classic storms in the last 40 years. Way back in 1983, Hurricane Alicia made landfall as a Category 3 major hurricane and wreaked temporary havoc as it followed the Houston Ship Channel north. Incredibly, 41 years ago, Alicia was the first major hurricane to form in the Gulf of Mexico since 1977.

Other tempests had substantial impact on U.S. oil and gas and refining. In 1989, Hurricane Hugo arose from thunderstorms near Cape Verde and made a landfall in St. Croix, Virgin Islands,

ravaging that territory with 168 mph winds and knocking out the 500,000 b/d refinery operated by Amerada Hess for a critical portion of mid-September.

The most classic contemporary hurricane on record was of course Katrina, which, made landfall in Louisiana on August 29, 2005, initially idling 1.629-million b/d of U.S. refining capacity and provoking an October crisis when Hurricane Rita later knocked out refineries in Lake Charles, LA and Pt. Arthur, TX. Gulf Coast refining did not see a return to normal crude oil processing until June of 2006. In just five August and September 2005 sessions, gasoline futures soared by 51.5% while crude oil surpassed \$70/bbl, a price which at the time was suspected to be economic poison.

Most of the damage from Katrina came from storm surge and high winds. Twelve years later, Hurricane Harvey would pursue a devilish path that looked to be drawn up by Looney Tunes cartoon writers. The Category 4 hurricane made an initial landfall near Corpus Christi and then devastated Houston, Pt. Arthur, and Beaumont with more than 40 inches of rain before targeting southwestern Louisiana. Harvey knocked out an incredible 3.25-million b/d of refining capacity or about 18% of total U.S. production. ▶

A man wearing a blue cap, safety glasses, and a high-visibility orange and yellow vest over a blue shirt is looking down at a handheld device. He is standing next to a white truck. In the background, there are orange traffic cones and a red flag. The text 'PUT THE INDUSTRY LEADER ON YOUR TEAM' is overlaid in large blue letters on the right side of the image.

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FORTY YEARS OF HURRICANE IMPACTS ON PETROLEUM INFRASTRUCTURE

Storm Name	Timing	Refining Impact	Gulf Coast Gas Pricing Impact
Hugo	Sept 1989	- 444,000 b/d	N/A
Katrina	Aug/Sept 2005	-1,629,000 b/d	+99.25cts [53%]
Rita	Sept 2005	-3,614,000 b/d	+\$1.3385 [77%]
Gustav	Aug 2008	-1,775,000 b/d	+44.09cts [+15%]
Ike	Sept 2008	-1,773,000 b/d	+\$1.8112 [+62%]
Harvey	Aug 2017	- 3,253,000 b/d	+ 55.48cts [+37%]
Ida	Sept 2021	- 1,636,000 b/d	+ 29.99cts [+16%]

A lot of factors besides storm surge, wind speed, and direct damage can influence what happens when hurricanes impact Gulf Coast refineries. Hurricanes in 2008 came just before the bankruptcy of Lehman Brothers tilted the United States and other countries into the Great Recession. Generally, the earlier the summer storm, the greater the impact on U.S. gasoline markets.

But there's clearly been a stealth rise in the strategic importance and vulnerability of the U.S. Gulf Coast, which is surpassed these days only by the Strait of Hormuz as an international choke point for energy.

The Energy Information Administration calculates that about 21-million barrels per day of hydrocarbons move through the Strait. That was once more than ten times what moves out of the Gulf of Mexico, but it's now less than twice the scale of current and expected outflows from the Gulf.

Let's take a look at U.S. production and supply statistics from 2005 (the Katrina landfall month) and what now encompasses the norm in 2024.

On the processing side, PADD 3 now accounts for 9.987-million b/d of U.S. refining capacity, or approximately 1.792-million

b/d more capability than existed 19 years ago. Almost all the additions—more than 1.5-million b/d—have taken place on the Texas Gulf Coast. PADD 3 processing capability now accounts for 54.5% of U.S. refining whereas back in August 2005, it represented just 47.5% of the country's total.

Other changes in the last 19 years are equally compelling and speak to the crucial hemispheric call on hydrocarbons produced in Texas, Louisiana, Mississippi, and Alabama.

U.S. energy exports are dramatically higher than they were during the Katrina summer. The rise of shale oil and U.S. crude production has been a game-changer. But refiners in PADD 3 states are much more complex than in much of the world and benefit greatly from some of the cheapest natural gas, hydrogen, and crude oil on the planet. More than 30 countries now rely on cargoes that originate on the U.S. Gulf Coast.

It is that specific dependency that raises the potential stakes should a major storm transit the region. The impact of Hurricane Katrina in 2005 was parochial – the impact of a hurricane in 2024 promises to have global consequences. ►



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THEN & NOW: CONTEMPORARY EXPORT VOLUMES VERSUS AUGUST 2005 NUMBERS

(Figures are in thousands of barrels)

Product	April 2024	August 2005	Change
Crude Oil	5,179	17	+5,162
Products	6,915	1,125	+5,790
Gasoline	778	157	+0.621
Ethanol	134	10	+0.124
Kerosene	170	55	+0.115
Distillate	1,134	163	+0.971
Residual Fuel	94	169	+0.075
Propane/Propylene	2,335	N/A	N/A
TOTAL	12,094	1,295	+10,799



In latitudes south of the Gulf of Mexico, OPIS calculates that about 1.4-million b/d of Caribbean refining capacity has shut down since August 2005 thanks to closures in the Virgin Islands, Curacao, Aruba, and Trinidad & Tobago.

The northeastern portion of North America has lost 230,000 b/d in the Canadian Maritimes thanks to closures or conversions

of plants to renewable fuels. Meanwhile, refining capacity in the U.S. Middle Atlantic now barely tops 900,000 b/d, compared to the August 2005 number of 1.717-million b/d, and that's a clear reason why the standard shipping status for Colonial Pipeline mandates constant line space allocation to Northeastern destinations.

All these factors raise the worry quotient for the 2024 Atlantic Hurricane Season. If there is some consolation, it comes from the realization that most storms threaten but do not damage U.S. energy supply. Prepare for the worst but hope for the best may be a mantra that prevails this summer and fall.

One important postscript: Petroleum prices don't necessarily need a U.S. mainland landfall in order to escalate on hurricane worries. Last summer was notable for the participation of "storm chasers" in futures and physical markets. Scores of companies and individuals took long positions in crude and refined products as a means of hedging against the potential impact of a storm strike. When those "storm chasers" gave up on those positions in early autumn, prices crashed. ★

Reporting & Analysis by Tom Kloza, tkloza@opisnet.com, Global Head of Energy Analysis, OPIS

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Artificial Intelligence – Energy Demand and Transportation

BY JOHN EICHBERGER, TRANSPORTATION ENERGY INSTITUTE

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Forty years ago, in the year 1984, Kyle Reese arrived in Los Angeles to prevent Cyberdyne Systems Model 101 from killing Sarah Connor. He was sent from the year 2029, just five years from now. It was said in the movie that the machines “got smart.” While purely a work of science fiction, there are some similarities from the world of “The Terminator” to what is happening with technology today. The rapid expansion of artificial intelligence has fueled a historic rise in the stock market, created a company valued at nearly \$3 trillion and prompted a surge in data center construction in the United States. AI is taking over responsibilities previously completed by humans and, while not “self-aware” as SkyNet became, AI is learning to “think.” While this is very interesting in general, and ripe fodder for conspiracy theorists, the implications for transportation and energy in general are real and significant. The question for us is how might the rise of AI reduce emissions of on-the-road transportation while preserving and improving affordable and reliable energy for all communities?

This is a topic the Transportation Energy Institute’s Board of Advisors has directed staff to examine and about which to foster discussions. In this article, we will only scratch the surface on this dynamic and rapidly evolving topic, but we have to start somewhere.

Energy Demand

With that in mind, I decided to ask AI to tell us about itself and asked ChatGPT, “write an article evaluating the energy demand associated with the rise of artificial intelligence.” Here is what came back regarding energy demand for AI:

The energy demand of AI stems from various components of its infrastructure and operations:

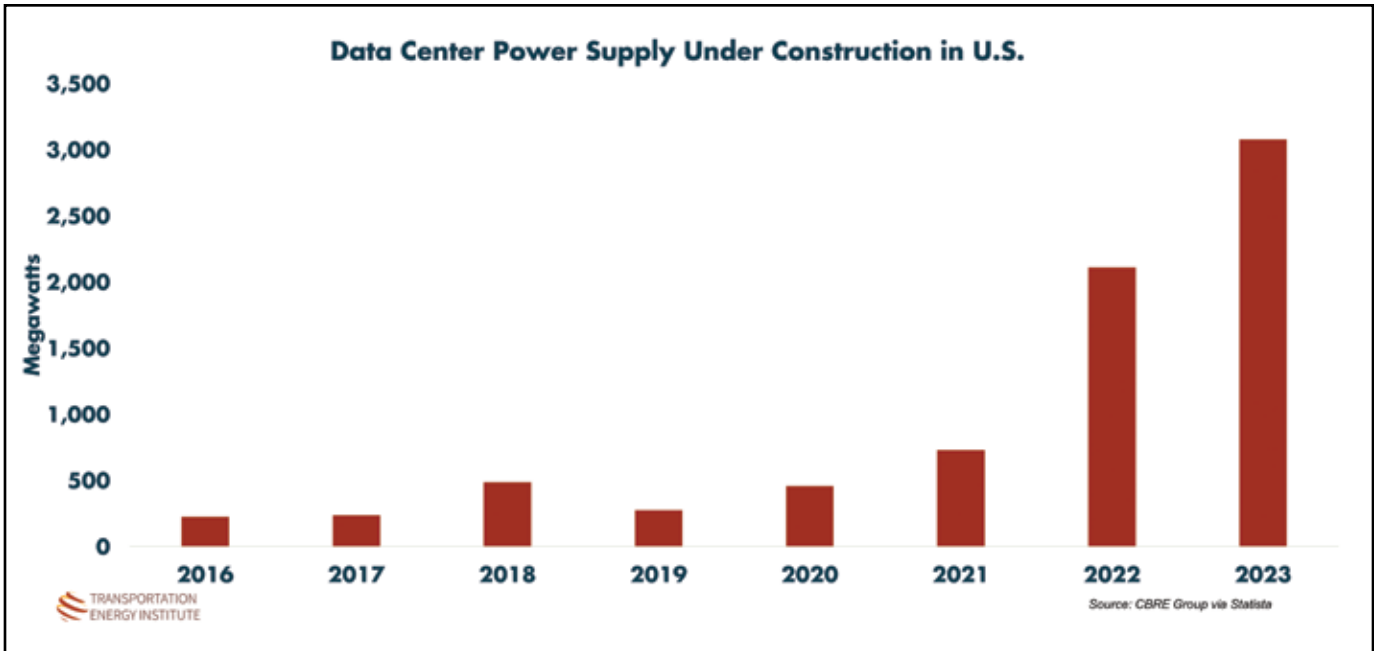
1. **Training of AI Models:** Developing AI models requires enormous computational power, often provided by data centers equipped with high-performance computing hardware. These data centers consume vast amounts of electricity to train complex algorithms on massive datasets.

2. **Inference and Deployment:** Once trained, AI models are deployed for inference tasks, where they make predictions or decisions based on new data inputs. While inference typically requires less energy compared to training, the deployment of AI at scale across devices and systems still contributes to overall energy consumption.

3. **Hardware Requirements:** High-performance hardware, including GPUs (Graphics Processing Units) and TPUs (Tensor Processing Units), are integral to AI operations. These components are power-hungry and require substantial cooling infrastructure, adding to energy demands.

4. **Data Storage and Transmission:** AI applications rely on vast amounts of data stored in servers and transmitted between devices and data centers. Data storage facilities and network infrastructure consume significant energy, especially as data volumes continue to grow exponentially.

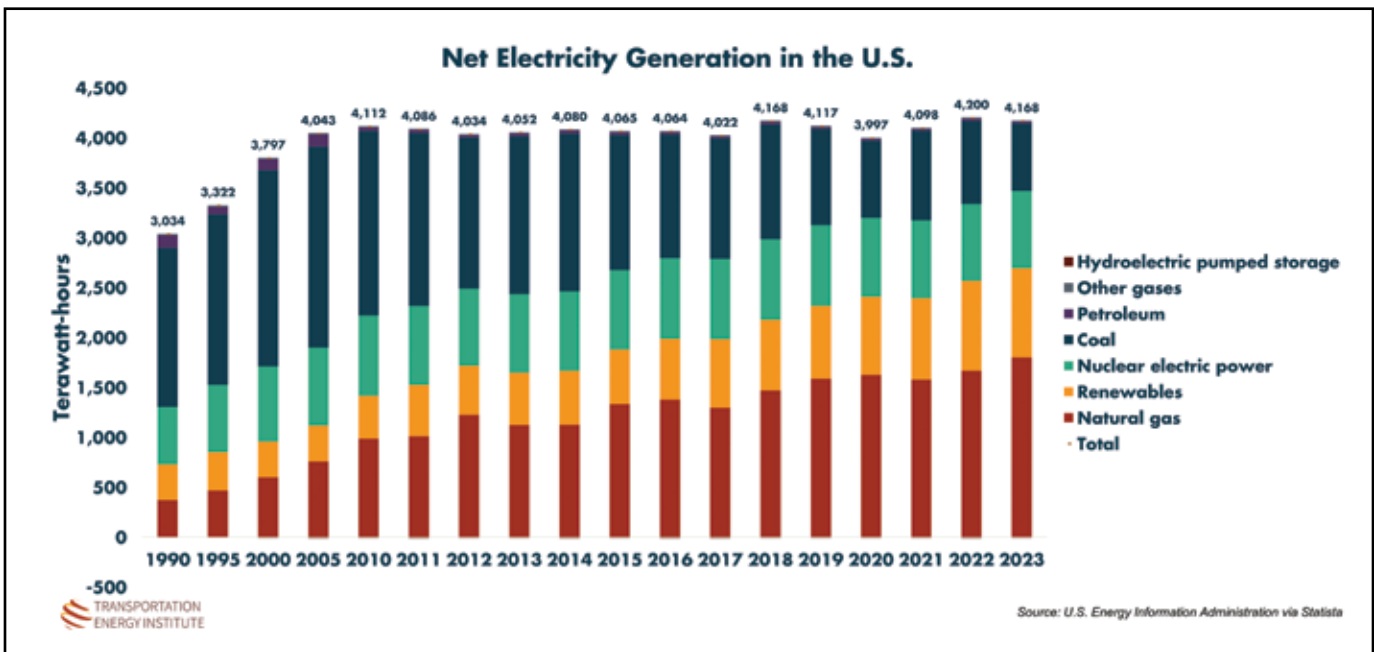
ChatGPT continued to present the environmental consequences of such increased energy demand as well as opportunities to mitigate these consequences. While interesting observations, I prefer to look at the data behind the observations. If we look at the rise of U.S. data center construction and related energy demand, we see a six-fold increase since 2020. This is a significant increase in energy demand from just one sector. ►



Energy Supply and Demand

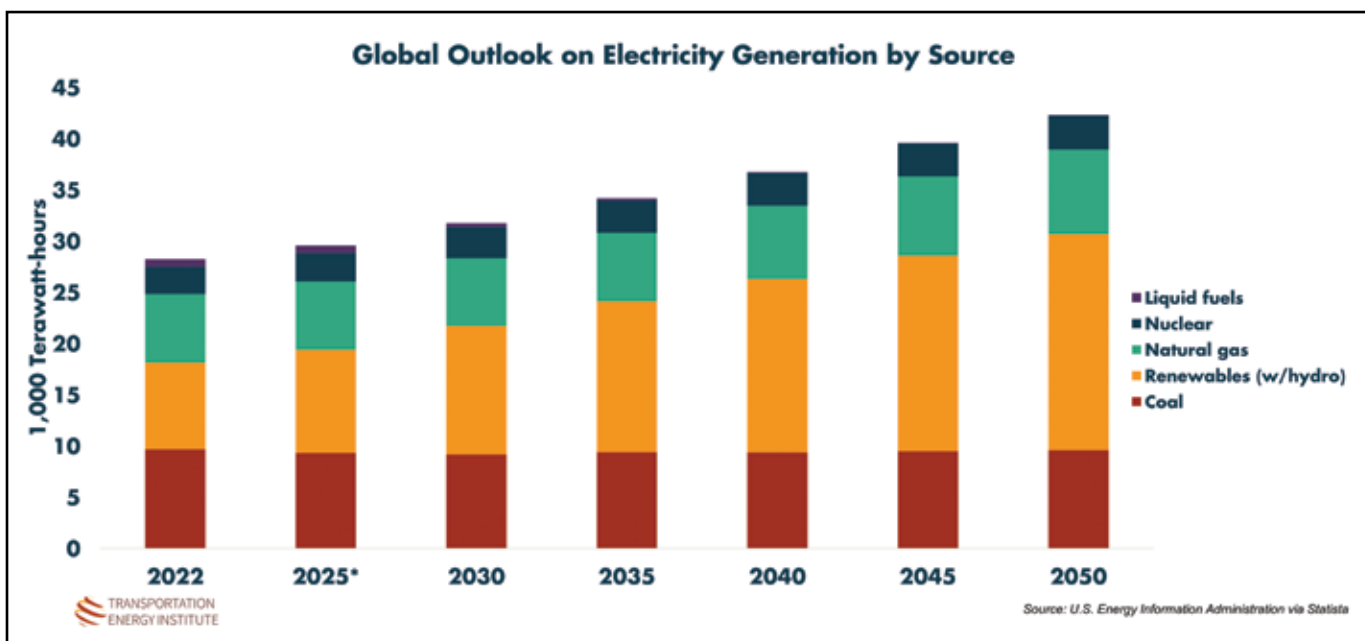
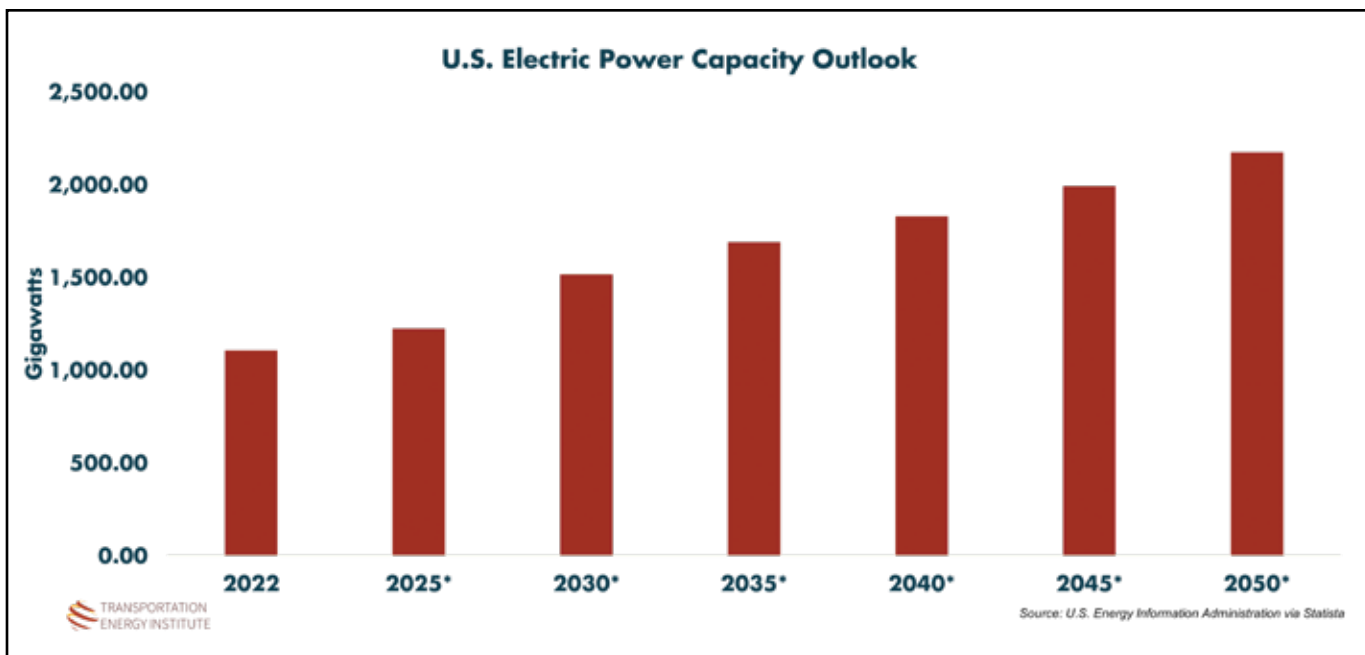
While not all of the data center construction is exclusively for the deployment of AI, I have heard anecdotal reports and forecasts that energy demand for AI will require a near-tripling of U.S. electricity generation within the next ten years. Alex DeVries, a researcher at the Vrije Universiteit Amsterdam, authored “The Growing Energy Footprint of Artificial Intelligence,” which examines the environmental impact of AI systems. In this paper, he calculated the energy demand of using 1.5 million AI servers expected to be delivered by Nvidia through 2027. If these servers operated at full capacity, they could consume 85.4 – 134.0 terawatt-hours of electricity each year, globally. This amount has been compared to the energy consumed by Argentina, Netherlands or Sweden. (An article on the report can be found at <https://www.techspot.com/news/100464-ai-energy-demands-could-soon-match-entire-electricity.html>)

This amount is also equal to 3% of the net U.S electricity generation in 2023. While this may seem insignificant, it is important to note that net generation in the United States has increased by only 3% since 2005 and in recent years the domestic system has struggled to satisfy demand in some areas of the country.



ARTIFICIAL INTELLIGENCE – ENERGY DEMAND AND TRANSPORTATION

Can the electricity generating sector accommodate such a rapid rise in energy demand from this one source, not even considering other factors influencing demand levels? According to the U.S. Energy Information Administration (EIA), the production of electricity in the United States is projected to nearly double by 2050. This represents a significant shift from historic changes in domestic electricity generation capacity and comes at a time when available resources for generation are being limited to those that represent a lower impact on the environment. Globally, EIA projects a 50% increase in generation led by a 150% increase in the contribution of renewable energy resources. (Coal remains relatively unchanged while nuclear and natural gas are projected to increase around 23% each.) Despite such forecasts, achieving such expansion will be challenging. This is exacerbated when one considers that actual future demand could exceed expected production capacity, especially when we consider the uncertainty of demand from AI combined with the global effort to electrify most energy consumption sectors, including transportation. ►



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Artificial Intelligence and Transportation

The overall energy demand of this technology is a fascinating topic, but how the rise of AI affects transportation is the specific interest of TEI. So again, I turned to ChatGPT and asked for insights. It returned the following (I have summarized some of the content for brevity):

Artificial Intelligence (AI) has had a profound impact on transportation, revolutionizing various aspects of the industry, from vehicle autonomy to traffic management and logistics. Here's how AI influences transportation:

1. Autonomous Vehicles [ChatGPT provides commentary on development and deployments, safety improvements, and mobility solutions.]
2. Traffic Management [Again, commentary provided relative to predictive analytics, dynamic routing, and smart traffic lights.]
3. Logistics and Supply Chain [Commentary on route optimization, predictive maintenance, and warehouse automation.]
4. Public Transportation [Demand forecasting, fare collection systems, and safety and security.]

Conclusion: Artificial Intelligence is transforming transportation by making it safer, more efficient, and more accessible. From autonomous vehicles and smart traffic management to logistics

optimization and public transit enhancements, AI-driven innovations are reshaping the way people and goods move around the world. As AI technologies continue to evolve, they will play an increasingly vital role in shaping the future of transportation towards a more sustainable and interconnected ecosystem.

What's Next?

I do not disagree with the ChatGPT summary of AI's impact on transportation – there is tremendous potential for beneficial development. And despite my introduction to this article, I do not believe SkyNet is coming for us...yet. But the energy demand profile of AI does concern me, especially when framed against a backdrop of increased demand for electricity in general and the historic slow pace of adding generating capacity.

As we endeavor to reduce emissions from the transportation sector, preserve affordable and reliable access to energy, and enhance safety, we must continually think about external factors that could affect any transition that might be required. Artificial intelligence is a factor that can and most likely will disrupt industries throughout the world, including transportation. It is incumbent upon transportation energy leaders to consider what role AI will play and how it may affect efforts to achieve the industry's objectives and to prepare to accommodate its involvement the system. ★



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.

Keeping Up With the
'BIG GUYS'

BY MAURA KELLER

Fuel retail is a competitive industry and especially difficult for smaller stores that must face off against recognizable national brands with big advertising budgets and the ability to purchase vast amounts of items for sale at scale.

David Poulnot, vice president of multi-vertical sales at Upside, brings over a decade of retail experience to his role. At Upside, he has expanded the company's fuel and convenience store offerings to over 30,000 stations nationwide, which represents approximately 20% of all U.S. gas stations. This achievement underscores his close collaboration with major brands such as Shell, bp, Circle K, Casey's, and RaceTrac.

According to Poulnot, many of the c-stores in the United States are smaller mom-and-pop entities, but there are also many large chain c-store companies that have made a name for themselves in the industry.

"All c-store retailers, large and small, are facing three main challenges today," Poulnot says. "Shoppers are increasingly price-sensitive, which means cost-passing is not a viable method to address rising operating costs. Consumers report spending less on 10 of the 13 categories of items that they traditionally buy from c-stores, including baked goods, candy, and alcohol.

C-stores also are facing a new competition from retailers previously viewed as outside the industry, like grocery and big-box retailers."

Len Covello, CTO of global loyalty technology company Engage People, adds that one of the biggest challenges for smaller convenience store retailers is staying competitive with digital offerings and programs, including adopting digital payment options and enhancing their online presence.

"Challenges with accessing capital to expand into these areas or upgrade to larger customer initiatives can be to blame," Covello says. "Another challenge relates to scale. When negotiating with suppliers, smaller convenience store retailers often face hurdles with purchasing at the best price or taking advantage of deals. This can lead to a lack of variety among their limited locations. Lastly, larger retailers have established more trust and brand recognition in the market, making it difficult for smaller players to attract employees."

Poulnot also notes that the primary difference between large and small c-store retailers is how they can respond to those challenges.

As he explains, lately, larger chains have had a straightforward answer for these challenges: namely with mergers and acquisitions (M&A) and new-to-industry (NTI) locations. Those methods, which require plenty of upfront capital, have become the go-to solution for growth for well-resourced retailers, and they're largely inaccessible to the mom-and-pop operations in the industry.

"With inorganic growth off the table, these small retailers have to rely on organic growth, which has become more expensive and harder to achieve," Poulnot says.

According to Tony Cusack, executive director of product management, convenience fuel retail at NCR Voyix, staffing challenges continue to plague the c-store industry. Respondents to the 16th Annual C-Store Decisions/Humetrics HR Benchmarking Survey said staffing and inflation tied as their top challenge, at 68% for both.

"Because smaller c-stores don't typically need a large staff, even a small change in their employment numbers can have a marked impact on customer experience and the work environment of the remaining associates," Cusack says.

To help minimize the impact of short staffing, Cusack recommends smaller c-stores consider self-checkout technology (SCO) as SCO gives customers a seamless way to pay while freeing up employees to help customers on the floor or to restock the shelves.

Further Steps To Differentiate

So when a small convenient store is situated among the "big guys" in the same area, how can these smaller retailers differentiate themselves and truly compete?

Poulnot says the conventional line of thinking is that loyalty programming can help a retailer differentiate. Many programs do drive value – encouraging return visits and creating new opportunities for existing customer engagement – but he would push back on the notion that loyalty can be a differentiator.

"Most loyalty programs are ineffective agents of customer behavior change because they're too similar to one another, offering generic, one-size-fits-all benefits," Poulnot says.

A digital strategy that emphasizes personalization makes for real differentiation. As Poulnot explains, that kind of strategy allows retailers to avoid revenue cannibalization and attract new customers profitably by meeting each individual's unique needs for value.

"And once retailers can get customers through the door, they can enhance the experience with in-store technology, facility upgrades, and strong customer service," Poulnot says. Speaking for Upside retailers specifically, they get "exclusivity" in their areas of operation. Meaning that once they join the Upside platform, they block nearby competitors from offering personalized promotions through Upside. ►



Covello says the key to standing out is to develop a community-focused approach to help create a personalized feel. This can include launching a loyalty program that supports other local businesses or sponsoring local events to show broader community support.

“In addition, offer unexpected perks like free samples, a coffee on the house, or customer appreciation events. Something as simple as a hand-written note, a thank you card, or even a personal greeting can make a lasting impression and build that sense of community,” Covello says.

And while smaller c-store retailers should focus on differentiating themselves with enhancing their brand management and customer service initiatives, Poulnot recommends smaller retailers dedicate the majority of their time on the technology.

Here’s why: The industry has long relied on physical signage and static promotional offers to drive customers in-store. Now that customers have more options than ever before, retailers need to explore new ways to expand their reach, so they are visible to customers where and when it’s relevant to them: on their phones when they’re on the go.

“Digital tools allow retailers to expand their aperture of influence,” Poulnot says. “Although the average fuel customer doesn’t usually go inside the c-store, nearly 90% of fuel-only visitors could be enticed to make an inside purchase with the right promotion. Retailers that provide customers with personalized promotions see a 60% increase in pump-to-store conversion and an 80% increase in basket size.”

Attracting additional visitors with technology also can allow your locations to shine in these other ways – more and more customers can experience your brand and friendly customer service.

Foodservice also is a key differentiator in the c-store space. The better your foodservice options, the better your sales. As Cusack explains, according to recently released data from the National Association of Convenience Stores (NACS), c-stores experienced record sales in 2023, with foodservices sales in 2023 representing 26.9% of in-store sales, up 1.3% from 2022. And since the average basket increased 3.7%, customers will buy from a c-store if you offer tasty food and treats.

“But it doesn’t just stop at foodservice. Smaller fuel retailers can enhance their offerings and compete with larger brands by becoming multidimensional,” Cusack says. “Rather than being a one-stop-fuel-shop, become a three-stop-shop that empowers customers to accomplish multiple tasks at once: getting fuel, food, and a car wash. Consider the three-stop shopper who would benefit from purchasing gasoline, snacks or a meal, and a car wash at the same destination. Entice them away from competitors and into your store by offering restaurant-quality food and beverages, including something to differentiate them from big brands, like homemade apple pie or a signature sandwich.”

One example of a retailer making an outsized impact is Kelly’s Fuel Mart. As Poulnot points out, the small network of stations and c-stores is based in the Detroit area and headed by president Imad Khalil. In its crowded metropolitan market, Kelly’s has

pursued personalized promotions as a way to ward off larger competitors and attract customers to its locations. In doing so, Kelly's has experienced a 4% sales increase.

And Covello says Wisconsin-based Kwik Trip is a prime example of a regional convenience store that excels at creating a sense of community – from a friendly greeting during every visit to community sponsorships, clean facilities, and a loyalty program that partners with local businesses.

“Buc-ees is another example of a convenience store that has branded itself as a destination,” Covello says. “It offers a wide variety of food, drinks, and merchandise, and is known for its large, clean facilities. This convenience store also offers competitive benefits to its employees.”

Small gas stations can provide stellar customer service in the forecourt and inside the store by accepting mobile payments like Apple Pay or Google Pay, or even a branded tap-to-pay app, which is an option Spinx offers customers. This South Carolina retailer also provides SCO stations, which helps mitigate labor shortages, while enabling customers to skip the manned line.

“Close to half of all transactions at Mach 1, a family-owned convenience and fuel retail chain with locations in Illinois and Indiana, are from customers using SCO,” Cusack says. “Consumers simply appreciate the simplicity and speed, especially when they only have a few items to purchase. This is a sentiment common across the industry, so much so that 34% of convenience and fuel retailers already have mature SCO systems, and 37% are currently piloting or scaling SCO deployments.”

Mistakes To Avoid

Smaller retailers need to forego doubling down on what they're doing today. Retailers that maintain the status quo (whether it's static promotions, newspaper advertisements, or sign price wars) won't be able to compete against a larger entity that can use its resources to cheaply acquire users, mark down items, merge with competitors, and crowd out the rest of the market.

Another mistake is measuring “success” based on the wrong things. As Poulnot explains, with every line item in the budget, retailers should ask themselves: What am I trying to accomplish with this investment, and is that goal being achieved?

“If they can't answer the question – or if the answer is “no,” they're wasting money. Right now we see more and more digital in-store investments that are not translating to an increase in foot traffic, which should always be the end goal,” Poulnot says.

Also ignoring the resources they already have is a common mistake small c-store retailers make. All retailers go through

times of the day or days of the week with spare capacity – think vacant aisles, idle employees, open cash registers.

“Retailers stand to earn more revenue and profit by focusing on filling those resources during lulls, since it doesn't require any additional operating costs to use what they've already paid for,” Poulnot says. “One way to do that is to use the data they already have, like their credit/debit card transaction logs, to learn more about their customers and what it would take to get them to come in-store more often.”

Finally, neglecting technology and holding onto outdated systems can lead to an increase in costs over the long term, ultimately impacting the customer experience.

“Low community engagement is another mistake smaller convenience stores can make,” Covello says. “Building community-based relationships as a smaller player in big markets is the key to success.”

Along those lines, Cusack says small retailers should also leverage data to get ahead in a crowded c-store pack. C-stores must track customer purchasing patterns to meet the needs of customers in the store. That means monitoring who purchases what product, how much of a product they buy and at what time.

“By analyzing consumer purchasing behaviors from their POS, c-stores can harness insights to better manage everything from inventory management to loyalty programs,” Cusack says. “Are pre-made salads or breakfast wraps hot-ticket items or are you tossing most of them at the end of the day? How are loyal patrons using their loyalty points? For cents-off the price or fuel or to cash in on free coffee?”

“The details that can make a big difference are in the data,” Cusack says. “Harnessing and analyzing data can lead to actionable insights enabling you to excel in the minds of consumers by ensuring you offer what they want from their favorite neighborhood c-store.”

Looking Ahead

Market consolidation will continue, and smaller retailers will begin to shift their perspectives on what “success” looks like – specifically transitioning from revenue growth to transaction growth.

As Poulnot explains, there's a growing understanding that top-line revenue is not a good measure of business health. Retailers might be observing increases in revenue, but a closer look reveals a less positive picture: When we adjust for inflation, average revenue per transaction is about 10% lower in 2024 than it was in 2021. ►



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“Channels are being blurred, as the line between c-store, grocery store, dollar store, and big-box retailer is becoming thinner than ever,” Poulnot says. “For small-business retailers, this means shifting focus from revenue to foot traffic. Getting more people through the doors is the only way to grow.”

Covello expects that digital transformation will continue to evolve and expand, creating new opportunities and hurdles for smaller c-store retailers. The increasing popularity of online shopping and mobile payment options means smaller c-stores will need to adopt digital solutions to stay competitive. The good news is that the cost of adopting these tools should come down as more options become available.

“This will make digital payment options more accessible for smaller retailers. In addition, digitally integrated loyalty programs can enhance customer retention and engagement,” Covello says. “Smaller c-stores can benefit from personalized marketing and rewards to build a loyal customer base. This may be more personalized and manual rather than digital, but expanding technologies can help create options even for small convenience stores.”

Covello advises that to compete with larger retailers, smaller c-stores should use lower-cost but high-impact options to promote and advertise. And the biggest opportunity to take advantage of is social media, especially in an evolving environment.

“Social media presents the perfect opportunity to take an in-store community online to expand engagement. In addition, get to know your customers and find creative ways to tailor products and offerings to fit their needs – perhaps even by offering home delivery options,” Covello says. “When customers visit your store, ensure the layout is optimized. This enhances convenience, creates a welcoming environment, and reduces security concerns.”

Experts agree that smaller fuel retailers go through similar pains that plague smaller restaurants looking to take on the bigger-name brands or a mom-and-pop shop trying to stay afloat when a Walmart or Target is nearby.

“The trick to staking out a profitable future and winning out over national brands is to become more than a gas station by adopting a more customer-centric, technology-driven c-store model. Run-of-the-mill services and legacy technology won’t cut it for today’s convenience-minded consumer,” Cusack says. “They expect engaging store experiences, friction-free checkout, and flexibility in their visit. Smaller fuel retailers must implement innovative strategies to differentiate themselves from the competition. In doing so, they will be in a better position to drive foot traffic into their stores and ultimately bring in larger sales.” ★



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Biodiesel Finds A Home In The Northeast

BY SCOTT FENWICK, TECHNICAL DIRECTOR, CLEAN FUELS ALLIANCE AMERICA

Speaking at Clean Fuels Alliance America's annual conference in 2023, Kevin Beckett, CEO and president of oil burner manufacturer R.W. Beckett Corp., announced that after years of research and development, the company's much-anticipated B100 residential burner was finally entering production.

About the size of a home office printer, this 100% biofuel compatible burner is poised to unjam the heating oil industry's road to carbon neutrality, enabling fuel oil customers to eliminate fossil fuels from their homes for \$700 on average without a single government rebate.

"We believe we have the fastest carbon-reduction solution for the Northeast while providing safe, reliable, and affordable heat," Beckett said.

With competitor Carlin Combustion Technologies revealing its own B100 model, and Energy Kinetics introducing a line of B100-compatible heat and hot water boilers – the industry's leading equipment manufacturers have now paved an affordable, equitable path to fossil-free heating for more than 4 million oil-heated homes across the Northeast.

"The advantage that our industry has is that our cost of decarbonization is nominal at best," says Michael Devine, president of the National Oilheat Research Alliance (NORA). "Our transition costs to our customers are minimal."

By removing the blend ceiling for biodiesel, the industry has also cleared a major hurdle in achieving the objectives set forth in the Providence Resolution, a landmark commitment made in 2019 to voluntarily reduce greenhouse gas (GHG) emissions.

The resolution, which was unanimously approved by over 300 industry leaders, calls for a 15% reduction in GHG emissions by 2023, a 40% reduction by 2030, and net-zero carbon emissions by 2050.

According to a new analysis by NORA's Dr. Tom Butcher, the industry is already well on its way, surpassing its 2023 goal with a nearly 26% reduction in emissions. Along with increased use of biodiesel blends (commonly marketed as Bioheat® fuel), Dr. Butcher credits energy efficiency improvements in boilers and warm air furnaces for the bulk of the reductions. To achieve the 2030 goal of the Providence Resolution, Butcher says, the average blend level for biodiesel or renewable diesel will need to be 29% industry wide.



Analysis by economic consulting firm Bates White found that a 30% average blend level would cut emissions by approximately 7 million metric tons of CO₂ per year, which corresponds to the net emissions reduction from adding 1.6 million heat pumps – i.e. tripling the current share of residential heat pumps in the region.

"Decarbonization of fuels currently used to heat homes and businesses can offer a cost-effective means to meet interim GHG reduction goals," the study concludes, "easing the challenges of rapid electrification and the required buildup of renewable generation, transmission, and distribution infrastructure."

While biodiesel (BD) has been blended into the region's middle distillate pool since the advent of the Renewable Fuel Standard, renewable diesel (RD) has just recently penetrated the Northeast market, where 82% of all U.S. heating oil is consumed.

Building on last year's data from 12 B100 field test sites on New York's Long Island and six sites in Massachusetts, NORA is seeking to increase the number of test sites using renewable diesel, or RD/BD blends, for the upcoming season.

"The home heating industry has evolved over the centuries from wood, whale oil, and coal to heating oil," said Devine. "Now we are in the process of the transition to renewable liquid heating fuels, and NORA is working hard to solve the technical barriers for us to achieve 100% liquid renewable heating in the not-so-distant future." ★



SCOTT FENWICK

Technical Director, Clean Fuels Alliance America



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3 Key Steps to Help Independents Compete with Chains

BY ZACH MAANUM, PDI TECHNOLOGIES



When it comes to competition between independent c-stores and large retail chains, the chains have some distinct built-in advantages. If you're a single-site operator or you manage a handful of independent stores, it might feel like you're constantly fighting an uphill battle.

But don't discount one of your own inherent competitive advantages: the unmatched level of customer service you deliver on a daily basis.

Think about it—you have the types of customer relationships that chains crave. You know your customers firsthand, and their familiarity with you and your store keeps them coming back for a repeat of that “corner store” experience that's difficult to replicate at chain stores.

In fact, your ability to deliver a consistently valuable personal experience gives you a powerful advantage—especially if you can continue to build on that advantage in a meaningful way. Here are three steps to help you accomplish that objective.

1. Build a Smarter Technology Foundation

The key to competing more effectively is closing the gap with chain retailers without losing what uniquely sets your business apart. To put it another way, continue doing what you do best but introduce new elements that help you level the playing field.

Technology innovation is a great field-leveler that can dramatically improve how you operate. In the last few years, the use of back-office software productivity tools has streamlined business operations for many independents, either reducing or eliminating a wide range of repetitive manual tasks.

Automating some of your workload can free you to focus on training your employees and serving your customers. Even a small amount of time spent improving how you run your business can pay off with much more free time for these strategic activities.

For many independents, a second generation of family members joining the business has accelerated the digital transformation of their stores thanks to these foundational productivity tools. For example, inventory management, product ordering, and point-of-sale integration are all common areas you can quickly improve with the latest back-office software.

Moreover, this software can give you much greater visibility over your entire business, empowering you to understand what's working and what's not so you can make much faster—and more informed—decisions. ►



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2. Leverage your Foundation to Increase Customer Engagement

Once you have a reliable back-office foundation, you can really start to open new opportunities that help you compete against the chains. The next logical step toward a more technology-driven operation is enhancing your customer engagement.

The good news is that you're already skilled at building customer relationships. However, technology can help you engage existing customers (and attract new ones) beyond the walls of your store. This is especially helpful when you don't have the backing of a brand to increase awareness.

For example, if you have a knack for creating in-store promotions, could you extend that capability to reach customers outside the store? The better you can digitally replicate your unique customer experience, the more you can expand your brand reach.

A notable example of this could be loyalty programs—including offers, promotions, and rewards that engage your customers both digitally and in-store. Enabled by your back-office platform, you can start promoting new offers to loyalty members that incentivize them to visit your store more often.

These technology innovations aren't just theoretical. Even the smallest independent stores are already using tools that make them competitive with chain retailers. Yes, there's the cost of technology investment, but the ROI can be even higher when you already run a lean business.

3. Find an Experienced Technology Partner

The stumbling block for many independent operators isn't a lack of willingness to change. It's a lack of IT experience. After all, when your expertise is running a c-store, you shouldn't also have to be an IT guru. This is why it's critical to work with a technology partner that thoroughly understands your business, the convenience retail industry, and the unique challenges you face on a daily basis.

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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

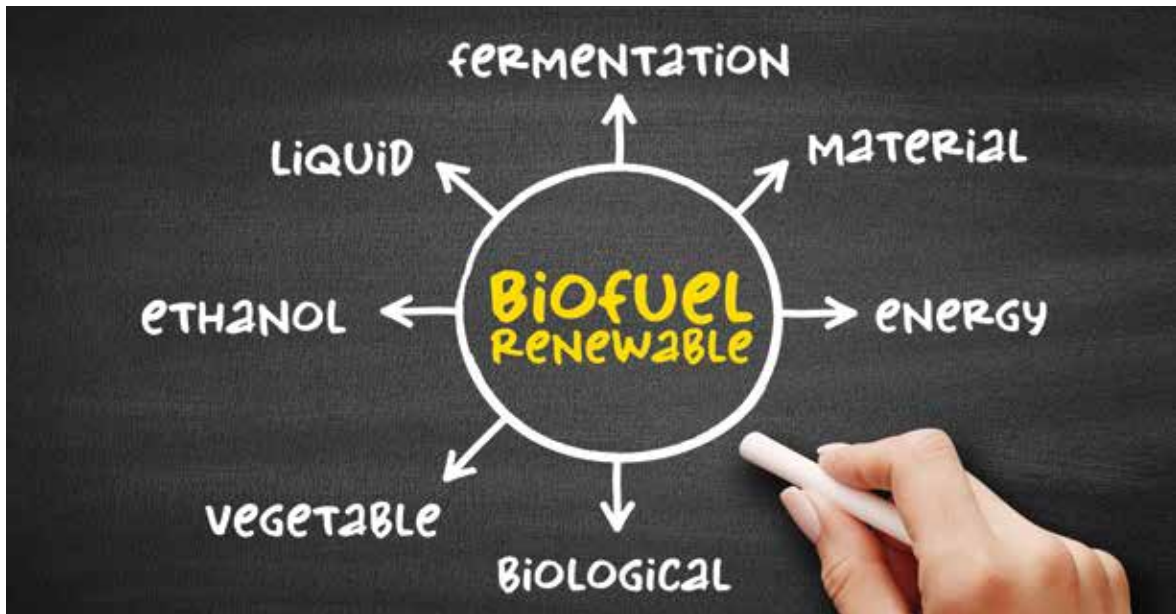
What's next for the refined products markets?

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Renewable diesel overtakes CARB diesel in California

BY AARON TUCKER AND MELVIN LEE, S&P GLOBAL COMMODITY INSIGHTS



The renewables revolution has taken off slowly in the United States, but swiftly in California where renewable diesel has firmly displaced ultralow sulfur diesel as the king of the barrel.

Renewables supplied half of the state's diesel fuel demand as early as the first quarter of 2023, with no let-up in sight thanks to environmental rules so favorable that some California refineries converted to renewable diesel production as robust markets developed to support RD consumption and its evolving credit-based system.

RD investment has grown significantly in recent years largely because of the government incentives and its interchangeability with existing petroleum diesel engines and fit into that infrastructure. California and other West Coast states are leading the reduction in greenhouse gas emissions with the adoption of renewable fuel standards designed to decrease the carbon intensity of transportation fuels. The rapid adoption is quickly changing the supply, demand, consumption, and refining metrics of both renewable and petroleum diesel, and not just in California. Other states are considering their own programs, while excess petroleum-based diesel is already finding its way to Latin America.

California has always been a very volatile market for its California-specific CARBOB gasoline and CARB diesel grades. But while CARBOB's spot market most always trades at a premium to the

underlying NYMEX RBOB futures, its CARB diesel counterpart has seen more frequent and sharper discounts to NYMEX ULSD futures. The bulk spot market, where 25,000-barrel lots trade, occurs before logistics, taxes, cap-and-trade, and other costs get added to the wholesale rack or the retail level pricing.

Platts, part of S&P Global Commodity Insights, assessed record low spot differentials for Los Angeles CARB diesel of minus 50 cents/gal in October and November 2022 as RD production and imports started to take off. The differential averaged a 7.53-cent premium since the assessment's 2004 introduction, but has averaged almost flat to the NYMEX futures in 2024 as of June 13. "I expect by the end of the year, RD will have roughly an 80% market share of the total makeup of diesel consumption in the state," said energy analyst Andy Lipow of Lipow Oil Associates. "If we get into an oversupply situation, the discounts will grow to where Gulf Coast refiners will have to look elsewhere for locations to send their production."

Low Carbon Fuel Standards and Renewable Fuel Standards

The California Air Resources Board developed a low carbon fuel standards program in 2009, with notable amendments since then. Oregon and Washington have adopted similar programs with the Oregon Clean Fuels Program adopted in 2015 and the Washington State Clean Fuels Standard adopted in 2021. ▶

These programs operate on the principle that fuels with a carbon intensity below the established standard will create a credit and fuels with a carbon intensity above the standard will create a deficit. Producers must balance these credits and deficits at the end of year, creating a market for the credits and pushing rapid consumption growth in RD and other clean transportation fuels.

Significant credit advantages are available when producing, blending, or importing RD in California. Companies may claim the state's LCFS credit in addition to the federal \$1/gal blender's tax credit (BTC) and the D4 renewable identification number (RIN) credit. Similar state-level advantages are present for sustainable aviation fuel as well.

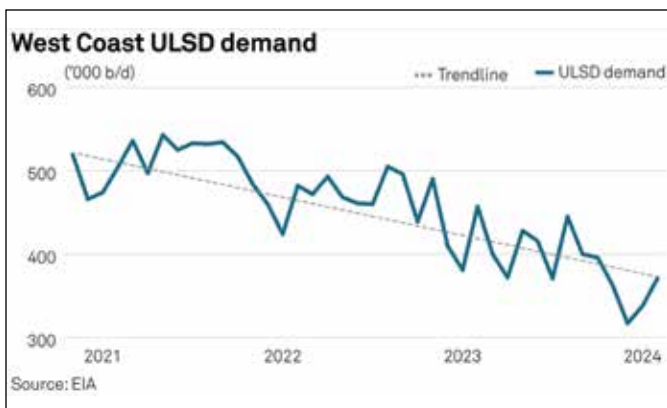
The \$1/gal blender's tax credit will expire in 2025 and be replaced by the section 45Z Clean Fuel Production Credit (CFPC). Per IRS guidelines, the base amount for the CFPC will be \$0.20/gal for non-aviation fuel such as RD and \$0.35/gal for SAF, multiplied by the carbon dioxide emissions factor.

Government policy proposals are becoming increasingly stringent, as California regulators analyze proposals such a carbon intensity step-down of 7% or more, feedstock sustainability provisions, and zero-emission vehicle infrastructure and fueling starting as early as 2025. LCFS credit prices hit nine-year lows on May 16, at \$40, but recovered slightly after CARB's announcement.

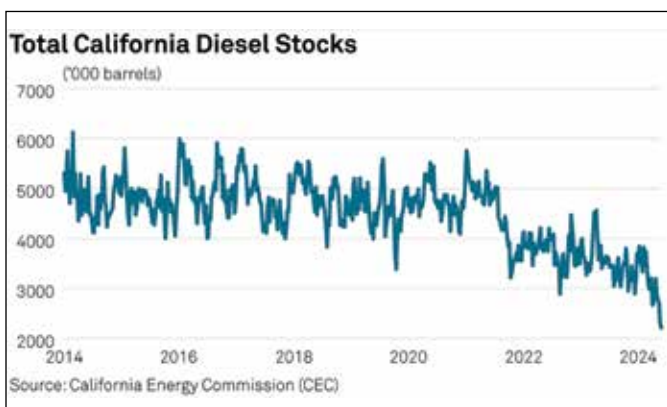
As the RD market continues to grow and overtake petroleum-based diesel consumption in California, Platts has proposed an Aug. 1 launch of market-based renewable diesel assessments, both R99 and R100, for Los Angeles and basis San Francisco. The proposal note can be found here: <https://www.spglobal.com/commodityinsights/en/our-methodology/subscriber-notes/053124-platts-proposes-to-launch-us-west-coast-renewable-diesel-price-assessments-aug-1>.

Supply, Demand, and Consumption Statistics

ULSD demand has slid since about midway through 2021. EIA monthly data shows ULSD consumption along the West Coast peaked in 2018 at 596,000 b/d and began a decline near May 2021 when consumption totaled 543,000 b/d. West Coast ULSD consumption last exceeded 500,000 b/d in August 2022, the monthly data shows.



At the same time, California diesel stocks reached an all-time low June 6, California Energy Commission data showed. Stocks totaled 2,217 million barrels, which consisted of 1,238 million barrels of California-specific CARB diesel and 979,000 barrels of exportable ULSD for the week ended May 31.



Looking forward, West Coast petroleum diesel markets are set to weaken over the next two years as new RD capacity displaces petroleum-based supplies. CARB announced that due to the state's LCFS program, RD supplied over half of California diesel fuel demand in the first quarter of 2023. Analysts at S&P Global Commodity Insights expect part of the resulting diesel surplus to be exported into the Pacific side of Latin America. But the diesel deficit in that region is not expected to grow significantly over the next few years, resulting in higher inventories and weaker diesel cracks for U.S. West Coast refiners, analysts said.

SPCI analysts forecast 2024 RD demand to reach 204,000 b/d and biodiesel to reach 120,000 b/d. It's not all for California, however, Demand is forecast to increase as New Mexico looks to pass legislation for clean fuels programs and potentially Illinois and New Jersey introduce their own. California will make changes to the LCFS program, with stricter carbon intensity targets forecast to drive demand for lower-carbon fuels.

The analysts forecast prices quarterly for RD. US West Coast RD-HVO prices in Q2 2024 are forecasted to average \$1,786/ton and \$1,853/ton in Q3 2024.



Traditional Diesel Production on the Decline as Refineries Convert to RD

According to EIA, there are four refineries producing RD in California and one in Washington as of Jan 1, 2023. These five refineries on the West Coast produced up to 24,000 b/d of RD while the nation produces up to 196,000 b/d.

SPCI analytics data as of May 20, 2024, showed five active RD operations in California with three of the five having planned expansions and two more planned new operations. The five active operations produced 66,290 b/d and the two planned ones will add another 20,100 b/d. The three expansions will add 115,300 b/d of capacity, the data showed.

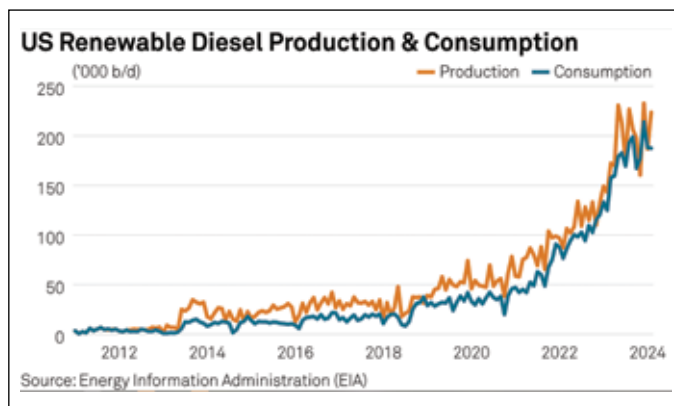
The U.S. Department of Energy reported average retail prices in California at \$5.36/gal on April 1 for RD and \$5.31 for CARB diesel. As of May 2, the agency said, there were a total of 607 fuel stations in the United States offering RD – with 98.5% of them located in California. Seven RD stations were in Oregon, with single stations online in Wyoming and Idaho.

Growing Importance of Latin American Demand Centers

Even with current refinery conversions, the adoption of RD is driving a diesel surplus that results in increasing export volumes to Latin America. Increased diesel exports are needed to meet the changing diesel demand profile from petroleum-based to renewable in California.

Overall ULSD exports to Latin America – mainly from the U.S. Gulf Coast – were expected to drop 210,000 b/d in 2024, a 14% decline from 2023 resulting from limited demand growth, robust refinery production locally, and an increase in the biodiesel blending mandate in Brazil from 12% to 14%, according to SPCI analytics.

Growing RD supply will result in significant inventory builds along the West Coast, increasing diesel available for export. In short, West Coast exports are expected to supply an increasing portion of a shrinking Latin America diesel deficit, according to SPCI analytics.



Renewable Diesel vs. Biodiesel

RD and biodiesel are both part of the West Coast diesel market, but RD is the consumption leader. Both are made from biomass feedstocks such as cooking oil, vegetable oil, and animal fats, but their production process is different.

RD is produced through hydrotreating these feedstocks, a process that removes oxygen and uses hydrogen to break down the molecules into shorter hydrocarbon chains, making it chemically like petroleum diesel. Biodiesel is produced through esterification, a simpler reaction that leaves oxygen in the fuel and is not as chemically similar to petroleum diesel. ▶

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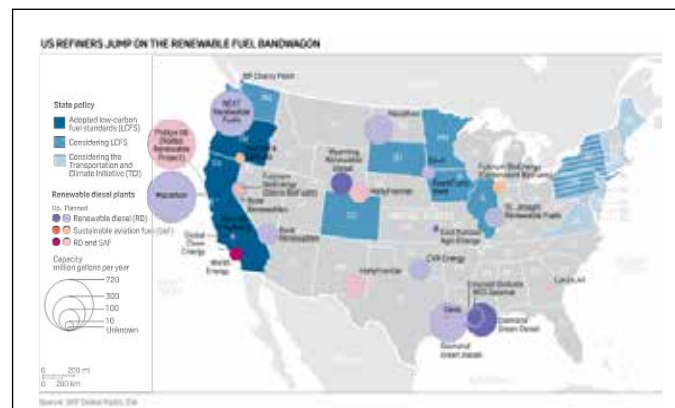
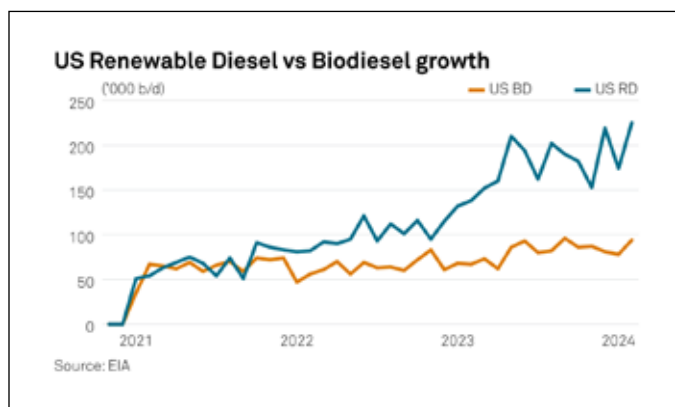
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RENEWABLE DIESEL OVERTAKES CARB DIESEL IN CALIFORNIA

The main difference between the two is that biodiesel typically requires additives to avoid cold weather performance problems and to meet engine specification requirements. The chemical similarities in RD to petroleum diesel make it the preferred fuel in reducing greenhouse gas emissions.

EIA data shows RD consumption has exceeded biodiesel consumption since 2022 as lengthy major refinery conversions started to come online, including in the Midcontinent. As of March 2024, biodiesel demand reached 120,000 b/d while RD reached 226,000 b/d.

“Every major refining company has become involved in the production of renewable diesel,” Lipow said. ★



Aaron Tucker has been a part of the North American distillates team since August 2023, mainly covering U.S. diesel.



Melvin Lee has been part of the North American biofuels team since May 2023, mainly covering the U.S. ethanol market. Melvin also has experience covering the RIN and LCFS credit markets, and is in the midst of driving new price launches for renewable diesel and sustainable aviation fuel.

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