

## Fuel Pricing - In Pictures

**Analysis: average terminal prices between Feb 21 and March 9, 2012 - the fuels marketplace will find the value of biodiesel at a replacement value between a biodiesel price of \$2.59 and a diesel prices of \$3.25**

### Biodiesel Producer



B100

Producer sells biodiesel at \$4.73  
*Biodiesel is priced off home heating oil (HO) market. Wholesale HO price averaged \$3.25 between Feb 21 and Mar 9.*

*The market will find the value of biodiesel at a replacement value between \$2.59 and \$3.25 (negotiated between parties)*

### Wholesaler/Rack Blender



Blender (terminal) could sell wholesale B100 at \$4.73  
RIN separation occurs and RIN value of \$2.14 is recouped ( $\$1.43 \times 1.5 = \$2.14$ )

Biodiesel is offered as low as \$2.59  
( $\$4.73 - \$2.14$ )

### Retail Facility



Retailer sells product at various blend rates (B2, B5, B20, B50, B100)  
Retail price is affected by cpg and amount blended).

## Real World Examples

### “Biodiesel Decreases Consumer Fuel Costs”

Favorable pricing is due to a number of current market factors - lower costs for raw materials like soybean oil, animal fats and waste greases and oils, the federal blender's credit as well as the value of RIN's (Renewable Identification Number). RIN's are an excellent example of how the RFS program creates added flexibility for obligated parties and discretionary blenders. The standard allows obligated parties to purchase either qualifying fuel (wet gallons) to meet their volume obligation or to acquire an equivalent amount RIN's.

It is evident that with the implementation of the RFS2 and development of EMTS that RIN values are working to provide a positive financial market for both obligated and non-obligated parties to use and sell biodiesel. RIN's have become a valuable asset. A discretionary blender can use the value to offset the cost of wet gallons as well as any incremental cost they might face, since they do not have to retire the RIN and can instead sell the RIN back into the marketplace. This practice can substantially reduce the out-of-pocket expense for the wet gallon. The result is a significant increase in the blending margins and an increased profit opportunity. Many, if not nearly all, share a portion of this savings with the end consuming market (i.e. truckers). The end result is an increase in the amount of biodiesel available at a price that is both profitable and marketable. Again, the system works precisely as it was intended. Here are comments from various marketers regarding the importance of RIN's and how they are used to create cost savings to their customers:

### Biodiesel is saving consumer's money at the pump:

Biodiesel is traded as a commodity, like a barrel of oil or a gallon of #2 diesel fuel or heating oil. With the help of the RFS, fuel distributors are purchasing biodiesel at a lower price than petroleum diesel, resulting in estimated consumer savings of \$120 million in 2013. Consider these independent third-party statements:

- Navy Secretary Ray Mabus, Testimony before U.S. House Armed Forces Committee, April 16, 2013: "This past year the Navy purchased a B20 blend (80 percent conventional/20 percent biodiesel) for the steam plant at the St. Julien's Creek Annex, near Norfolk, VA. The cost of the B20 is 13 cents per gallon less expensive than conventional fuel, and is projected to save the facility approximately \$30,000 over the 2012-2013 heating season."
- Gadsden, Ala., Mayor Sherman Guyton on the city saving about \$100,000 annually in fuel costs and taxes by switching much of the city's fleet to 20 percent biodiesel blends: "We are being kinder to our environment, we are saving money and we are reducing our dependence on foreign oil. There's no downside. It's a win, win, win situation." (Gadsden Times - May 30, 2013).
- Michael Whitney, Love's Travel Stops/Musket Corp.: "Over the course of the past year delivered biodiesel prices have been lower than diesel prices. Accordingly, wholesale marketers of diesel have been able to offer biodiesel blends at the rack at a discount to clear diesel (diesel without biodiesel). These discounts have varied over the course of the year from as little as \$0.0025 (1/4 of a cent) to as much as 4-5 cents per gallon."
- Murphy Oil said late on Wednesday, July 31, 2013, that its U.S. income of \$77.9 million in the 2013 quarter was above the 2012 quarterly income of \$73.3 million, primarily due to better results for ethanol production operations and higher sales prices for ethanol Renewable Identification Numbers (RINs) in the current period... Murphy...generates RINs from its vast retail network. Murphy USA operates more than 1,100 Murphy USA and Murphy Express stores in 24 states throughout the U.S.
- HESS GETS BENEFIT FROM RINS: There's a lot of talk about Renewable Identification Numbers, or RINs — biofuel credits used by refiners and other companies to meet RFS mandates — are costing companies money and potentially raising gasoline prices. But at least one oil company is doing well. Hess said yesterday that it is generating more renewable credits than it needs, creating excess RINs that provided it with a \$17 million after-tax benefit in the second quarter. Hess also said it could see a third quarter benefit of \$35 million to \$40 million. Platts: <http://bit.ly/12Gly9r>
- Carlo Luri, General Manager of Bently Biofuels in Minden, NV:  
(Feb. 24, 2012, *The Record Courier, Nevada*)

"The reason we invested in biofuels in the beginning is that we expected fuel prices to go up long term," he said. "When you have a commodity like fuel impacted by so many different things in the world, it's not just the continued escalation of prices, but price volatility. The price of fuel can jump up, but it also can come down just as fast. We have to be able to weather the upturns and the downturns. **We've been able to sell biodiesel for less than petroleum for almost a year now.**"

With a retail station located off Buckeye Road, Bently Biofuels offers ethanol and biodiesel blends. Their biodiesel is made by refining used cooking oil collected from local restaurants.

"Looking at the pricing structure right now, the higher the percent of biodiesel, the lower the price," Luri said.

In other words, the company's B5 blend, with 5 percent biodiesel and 95 percent petroleum, mirrors the greater oil market. On Monday, the blend, which can be used in any diesel engine, was selling for \$3.96 a gallon. On the same day, Bently's B20 blend, which is used in government fleets and newer pick-up trucks, was selling a cent lower than B5 at \$3.95 a gallon, and B50 was being offered at \$3.91 a gallon.

B100, which is primarily offered in the summer, would be selling for about \$3.85 a gallon in the current market, Luri said.

▪ **Kevin Cassidy, Sapp Brothers Travel Centers, Peru, IL:**

"In my view, RIN's have created stability in the sale and use of biodiesel. Tax incentive programs offered either at the state or federal level are precarious, and do not serve the same function as the RIN within the RFS. **I am more optimistic than ever that this system can create some permanence for biodiesel because we can sell a product that qualifies for the program and, most important to our business, makes economic sense for both our company and our customers.**"