



Nebraska Ethanol Board

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## Who Is Protec?

- Founded in 1999, headquartered in Boca Raton, FL with offices in Tulsa, OK, Georgetown, TX, and Minneapolis, MN.
- Financial risk management and physical fuel procurement and supply
- Energy commodities include refined products, natural gas, ethanol, bio-diesel, and propane
- In 2006, created an ethanol division to provide vertical turn-key solution for fuel distributors, fleets and retailers, including the logistics and infrastructure and supply of E100 and E85
- Protec currently supplies e85 to over 200 sites and operates in NM, TX, AR, LA, MS, AL, GA, FL, NC, SC, VA, OH, PA, and KY. We currently have plans to expand our operations to include TN, MO, MD, IN, KS, and OK

## What impacts E85 Pricing

- Ethanol Pricing
  - Tied to daily Chicago OPIS
  - Hedged against RBOB (gasoline)
- Rail Cost
  - Chicago to Dallas 4-5 cents
  - Chicago to Miami 19 cents
- Storage/Blending Cost
  - Most Petroleum terminals not setup for e85; requires piping, pump, and system modifications
  - Private storage/blending facilities required

## What impacts E85 Pricing

- Local Transportation Cost (blending to customer)
  - Some transports charging extra loading charge for splash blending
  - Due to slow turnover of e85; only partial loads are delivered
  - Split load cost
- Retail Site Setup Cost
  - Smaller tanks or tank replacement
  - Displacement of another fuel
  - Equipment modified or new
  - Signage

## Success Factors for e85 Retail Sites

- Selecting the best location based on demographic study
- Station configuration, conversion, and permitting
- Control cost of conversions
- Marketing and outreach to build up public and fleet customers
- Prominently display e85 availability and post e85 pricing; apply for state or federal highway support to post e85 signage 1-2 miles
- Fuel supply programs/contracts that secures the supply of E85 and at a certain level below gasoline in order to ensure competitive retail prices and margins
- Locating and applying for various funding programs
- Designing new fueling stations so that a conversion to E85 at any time in the future can be seamlessly accomplished without any equipment changes

## Hurdles to e85 Usage

- Public Education - at the local level successful E85 retailing strategy may have to include a substantial consumer education component
- The vast majority of public citizens are still uninformed about what E85 is and what FFV are
- According to survey findings 45% of respondents are interested in using alternative fuels but only 9% would consider purchasing a FFV in the next 24 months.
- Public knows ethanol is less efficient and still has misconception that ethanol has a negative impact on food prices
- Public lacks understanding of benefits of ethanol – environmental, national security, job creation, price
- Retailers don't know what is required to modify their sites to sale e85, in some cases it could cost very little, and in others it may be very costly

## Hurdles for e85

- E85 must be sold to FFVs. This means that there are certain pockets or regions which have better potential than others for fuel sales. Specifically, there are not enough FFVs in one specific area to justify two E85 stations right down the road from each other
- State fuel inspectors not familiar with e85; Lack of national UL approval on e85 equipment
- Moisture content of ethanol when blending with gasoline in small volume in areas of high humidity can cause e85 to be out of spec
- With e85, from 6/1 to 9/15 in some areas, have to reduce the 85% blending ratio with ethanol to comply with the local Reid Vapor Pressure (RVP) specifications
- Lack of federal, state, and municipal fleet operations to fund building e85 infrastructures for their fleets
- In line blending vs. splash blending

## Trends

- More FFV are being produced by the auto makers
- FFV are becoming more efficient, i.e. the new 2011 Buick Regal Turbo will be at least if not more efficient with e85 than gasoline
- With gasoline and diesel demand down, retailers are looking for opportunities to increase traffic
- The oil spill in the Gulf seems to have increased public awareness for developing alternate fuels
- Studies have shown that retailers that offer e85 have seen an increase in inside store sells
- Shipping ethanol via pipelines; increased national logistics

## Increasing e85 Usage

- Educate, educate, and more education
- Consumer education and awareness; national educational campaign
- Auto industry improve FFV efficiency, and continue to increase % of vehicles capable of using e85
- Retain and preserve the e85 tax credit for 4-5 years; remove uncertainty
- UL equipment approval
- Focus on key areas of the country