



by Vera Haskins
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Flexibility in a Changing Industry



Spirit® has always been about offering options, fostering independence and allowing marketers and dealers to make their own decisions about how to run their business their way. Unlike some refiner brands, Spirit® doesn't impose burdensome requirements on licensees who are already navigating a shifting landscape of fluctuating market conditions, new technologies and an ever-changing regulatory environment.

I was thinking about this a few weeks ago when the news came out that the EPA had granted a waiver for the use of the ethanol blend E15 in newer cars and light trucks. The entry of alternative fuels into the retail petroleum market is creating a stir that doesn't look like it's going to settle down any time soon. Electricity, hydrogen and biofuels like biodiesel and ethanol (and the vehicles they power) are getting a lot of attention in the scientific community and especially among consumers.

Producers of alternative fuels tout their renewability and potential for increasing America's energy independence and reducing harmful emissions. Opponents express concern about the science behind these energy products and factors like their cost, availability and marketability. They're also worried about increased demand (and higher prices) for corn, cane sugar and other agricultural stocks used to make biofuels.

It's a politically charged issue to say the least, and it has the potential to greatly impact our industry from the terminal to the retail pump.

I'd like to share with you a conversation I had recently about ethanol with Louis DeBenedittis, director of marketing for Benit Fuels, a Spirit® licensee based on Long Island, New York. Louis doesn't mind my telling you that the company joined PMAA specifically to access the Spirit® brand, which in his estimation was the best choice for several of his Long Island locations. "Spirit® had put together a really solid graphics package that had great appeal," Louis told me. "That strong, patriotic American image was a good selling point, particularly in our area after 9/11."

About 18 months ago, Benit Fuel began selling E85. Louis' decision to carry ethanol was sparked in part by a locally mandated storage tank upgrade and a state incentive program. Many of Benit's retail locations are in Nassau and Suffolk counties, which required that single-walled fiberglass tanks be replaced by double-walled tanks as of January 1, 2010. And about two years ago, the New York State Energy Research and Development Authority (NYSERDA) announced its Biofuel Station Initiative, a program of grants available to retail gas stations and petroleum terminals to

offset the costs associated with upgrading infrastructure to handle biofuels, including E85.

Several of Benit Fuel's locations chose to take advantage of the NYSERDA grants to help with the costs of the mandatory tank upgrades. One of them was Bayshore Spirit®, whose owner is a proud advocate of E85.

"My family has been in the gas business for more than 50 years," the dealer told me. During that time, they've weathered all kinds of market swings and new regulations, like the switch from leaded to unleaded gas in the 1970s. When faced with the county's mandated tank upgrade, "it just made business sense to diversify our tanks, to invest for the future," he stated.

The NYSERDA grant was a big help, to be sure, but this dealer's thoughts about selling ethanol-blended fuels encompass more than the business aspect. "We're proud to be carrying a product that is grown, processed, trucked and sold all right here in our country," he stated. "To be honest with you, I believe we'd have gone with E85 even without the infrastructure incentive. As a nation, we help each other, and it feels right for our American business to be supporting energy producers here at home."

I've also had the chance to talk with a marketer in a rural area of the Southeast who is attracted to the flexibility of the Spirit® brand. This marketer counts among those who are opposed to carrying ethanol blends. "I'm not a big fan of it, to put it mildly," he told me. "A lot of our market here in this region consists of recreational boat and motorcycle owners, and ethanol-blended fuel is hard on engines that sit idle for stretches of time. The ethanol separates out and sinks to the bottom of the tank where the intake is located, so you sometimes have a situation where an engine ends up taking in a higher percentage of ethanol when it's not designed to run on that."

The marketer states that many of the vehicles on the road in his area are older models, and those engines aren't equipped to handle ethanol. Availability of conventional (unblended) gas is decreasing, and like many in the industry, he's concerned about ethanol's lower mileage, particularly as prices for ethanol and conventional gas approach parity. "If you think of the 'product' as miles per gallon," he mused, "customers will be paying the same amount of money for less product." He also objects to the idea that in a period of federal budget deficit, taxpayers are funding a federal tax rebate.

There you have it: two marketers with very different regulatory situations, available incentives, market conditions and viewpoints regarding alternative fuels. And Spirit® Petroleum will work for (and with) both. Our changing industry poses challenges to all of us, but marketers can rest assured that our mission here at Spirit® is to help them thrive regardless of their individual stances or circumstances.