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JANUARY | FEBRUARY 2025

SIGMA

The Ports Petroleum Executive Team – Left to right: James Poynter - Vice President of Transportation, April Ports - Vice President of Sales and Supply, Matt Ports - President, John Crawford – Vice President of Retail, Mark Reynolds – Vice President of Finance.

inside:

PROFILE - MATT PORTS, PORTS PETROLEUM COMPANY, SIGMA PRESIDENT

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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.

contents

features

6 PROFILE - MATT PORTS , PORTS PETROLEUM COMPANY, SIGMA PRESIDENT

13 WASHINGTON WATCH: TRUMP'S CABINET PICKS AND WHAT THEY MEAN FOR ENERGY POLICY

46 THE NUANCES OF IN-STORE RETAIL MEDIA

30 PRIVACY IN THE WORKPLACE

columns

17 U.S. ATLANTIC COAST GASOLINE INVENTORIES DROP

63 CFPB ISSUES NEW GUIDANCE ON AI IN EMPLOYMENT DECISIONS

37 A LOOK BACK AT M&A THEMES: THE IPO WAVE, INTERNATIONAL ENTRANTS, AND MEGA DEALS

59 GREAT! NO FUEL LEAKS! THEN WHERE IS MY PRODUCT GOING?

53 CALIFORNIA REFINERS WAIT AND SEE HOW NEW PRODUCT STORAGE POLICIES WILL IMPACT OPERATIONS

43 REDUCING EMISSIONS THROUGH FUEL

51 WAITING FOR GUIDANCE

66 COULD A RETAIL MEDIA NETWORK BE YOUR STORE'S SUPERPOWER?

inside...

3 viewpoint
WHAT'S COMING IN 2025

5 inside sigma
A MESSAGE FROM THE SIGMA CEO

19 inside risk management
TAKING RISK MANAGEMENT LEADERSHIP TO THE NEXT LEVEL

23 inside conventions
IT'S NOT TOO LATE TO JOIN SIGMA IN VAIL FOR THE 2025 WINTER CONFERENCE!

25 inside family business
THINGS TO UNDERSTAND AND QUESTIONS TO ASK PART 1

68 ADVERTISERS' INDEX

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MATT PORTS
SIGMA President

viewpoint

What's Coming in 2025

It's an honor and a privilege to be SIGMA's next president. SIGMA has been a part of my life since I was very young, in many ways a family vacation multiple times a year for my brother and me. The destinations were always great and the people were even better. My father served in about every capacity possible for SIGMA over the years culminating in his presidency from 2001-2004 and a Distinguished Marketer award in 2009. The lifelong friends and business connections established over the years continue to be a bright spot in our personal and business worlds. I very much look forward to serving the association and meeting as many of you as possible. Please come and introduce yourself if you see me!

I would be remiss if I did not start out by thanking Dale Boyett for his last two years of service as President and the many years of service prior to that on the board and executive committee. Dale is a constant reminder that when you love what you do, it is more fun than it is work. Dale has worked tirelessly to impart that trait on me and I am confident he's made a difference in my life! I'd also like to thank Richard Guttman, our now past past president for the years of tutelage and the regular reminder to have more patience and approach everything in a calm and collected manner. SIGMA has seen such tremendous leadership in the past, and the good news is that the future is just as bright with Erin Graziosi and A.J. Siccardi next in line to lead the organization. As a group we're incredibly lucky to have such a talented and engaged board of directors and a staff that cares deeply about the organization and its members.

Let's take a quick look at the year to come, there's no doubt it's going to be fun! The Winter Conference kicks of the year in **February** in Vail, Colorado. If you've never been to Vail or a SIGMA winter meeting, you are missing out. It's the best way to get to know fellow SIGMA members in a more intimate meeting and social environment. Couple that with the endless fun of Vail, this is not a meeting to miss! Next up will be the spring meeting in Scottsdale, Arizona in **April**. Scottsdale is always one of the highest attended meetings for a reason: the Phoenician is an amazing resort, the weather is always perfect, and the golf is not to be missed. Throw in some education sessions and networking, you won't regret attending this one. **July** is the most important time of year for SIGMA members, Day on the Hill time. Our fabulous GR team will prepare you with everything you need to wow your congressional representatives with the hot issues. You'll hear us remind you about this meeting all year long, simply because your attendance there is that important! Stop reading and mark it on your calendar now. We'll round out the year in **November** as a group in Nashville, Tennessee for the 2025 Annual Conference. It's Nashville, enough said. If you need me to tell you why you should make the time to come to Nashville, come find me and we can talk about it, but it's always a memorable experience (though some may forget a few things after that trip).

I'm excited for the year ahead and I hope you are too. Thank you again for the opportunity to serve as the next SIGMA president. ★

Sincerely,

Matt Ports, Ports Petroleum Company
SIGMA President

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Inside SIGMA

A Message from the SIGMA CEO

Dear SIGMA Community,

Happy New Year friends! When last I messaged you, we were still discussing the upcoming 2024 Presidential Election, and all the accompanying discourse. Well, what a difference eight weeks makes. Our country – and especially our industry – has a clear vision of what the path forward is going to look like. But that doesn't mean that there aren't a lot of issues that are going to face all of us. 2025 will be a very issue-heavy year, but the good news is that SIGMA is going to be your advocate for all of the issues that our association is concerned with.

The New Year is also a time for reflection – what were the things (good and bad) that we all remember from last year. For me, 2024 was the year that I was given the unique opportunity to run this amazing organization. I now have two large meetings, and two smaller meetings under my belt. To be on this side of a SIGMA meeting is so very different from being an attendee. When I meet with all of you now – and I love the time I get to spend one on one with you – our conversations are very different. All of you are smart, forward thinking, positive energy people, and to helm this organization is a dream come true for me.

So, what are the things I'm looking forward to in 2025? One of the things I love best about this job is the exposure it gives me to all the amazing hard work that the SIGMA Government Relations team does. I was lucky enough to be asked to attend an API meeting in December where I got to hear these amazingly smart people talk about the main issues facing our industry. Everything from EV charging, to RINS to LCFS to E15. I literally pinched myself. To be invited to sit at that table was amazing.

As we look forward to our next big meeting in April, one of the things that I will be really excited about is hearing experts do a deep dive on Trump's first 100 days. And for those of you who really care about the issues that our businesses face, we will be looking forward to Summer Legislative meeting, when you get a chance to meet your representatives in Washington.

There's more exciting news – 2025 will be the year that we release SIGMA University. The education that we will offer on line – which you can take at your desk – will be game changing. Stay tuned for more information on this. And, we've committed to expanding our education at the main SIGMA meetings. To that end, we've brought on Kate Rowan as the new SIGMA Director of Education. All of you will see her at the meetings – make sure to seek her out!

Here's to 2025 and all the incredible things that all of you will accomplish! As always, SIGMA is committed to being by your side! ★

[signature]

Scott Berhang
CEO, SIGMA

profile: MATT PORTS

By Mark Ward Sr.

Fuelmart in Perrysburg, OH.

Though Matt Ports is SIGMA's newest president, he bears a name long familiar to members of the association. For the president of Ports Petroleum Inc. in Wooster, Ohio, follows in the footsteps of his father Michael Ports who served as SIGMA president from 2001 to 2004.

"My father and I are the second parent-and-child to serve as presidents," notes Matt Ports, following Carl Boyett who served from 2008 to 2010 and then immediate past SIGMA president Dale Boyett. Ports also points out that when current first vice president Erin Graziosi succeeds to the association's top post, she will follow her father Tom Robinson who served as SIGMA president from 1999 to 2001.

"It speaks to the staying power of SIGMA, of independent marketers, and to the family business model that many of our members have," says Ports. "Across the generations, marketers continue to see the value of SIGMA membership through professional networking and education and in building personal relationships that last a lifetime."

That same emphasis on building relationships is a hallmark of Ports Petroleum, whose motto is "Powering Our Relationships Through Service." Though inspired by the Ports family name, Matt Ports relates that, even as "our industry and our company keep evolving as market conditions change, the concepts of empowerment, relationships, and service are the constants that guide us."

Honoring those legacy values while leveraging them to meet today's challenges is the vision Ports brings to the presidency of SIGMA. Since joining the board of directors in 2018, he has been active through his involvement in SIGMAPAC and the association's strategic planning process.

Ports affirms that SIGMA has strategically positioned itself to thrive. "As consolidation continues, member companies may be fewer but bigger," he notes. "The association has stayed on top of that trend and done a great job of providing programs not just for CEOs but for other key executives."

In 2024, Ports joined fellow board members to interview candidates for SIGMA chief executive officer following the resignation of Ryan McNutt. A six-month search culminated in April with the hiring of Scott Berhang, an industry veteran with four decades of experience in downstream fuel operations. When the hiring was announced, then-SIGMA president Dale Boyett stated that the association "is excited to leverage [Berhang's] depth of knowledge, contacts, and experience to usher SIGMA into its next era." ▶

Fuelmart in Bradner, OH.

Emphasis on Education

As Ports becomes SIGMA president, he too is excited. "With our leadership in place, we can now move aggressively forward to serve the needs of our members," he reports. One initiative he cites is the projected April 2025 launch of SIGMA University. The online portal, he says, is designed to "get more educational programming to more employees of more member companies." Ports sees SIGMA University as a logical next step. "We've always had great educational programming at our meetings," he points out. "And then we added Share Groups that get together outside of our regular meetings. Now with SIGMA University, we can put educational courses online for employees who may not go to meetings or Share Groups."

The first online course planned for SIGMA University, Ports relates, "is a fuel-buying class that will cover what you need to know about best practices and clean fuels. This is a way that SIGMA can add more value to your membership dues."

Ports Petroleum has been a SIGMA member company since 1981, signing up after Michael Ports joined the family business his grandfather Milton started in 1948. "Service to the industry was ingrained in me from a young age," recalls Matt. "I grew up in SIGMA. In fact, our family vacations were often trips to SIGMA meetings. Now I've formed lasting personal relationships of my own through SIGMA."

Matt Ports joined the family business in 2009 so that his own association involvement now spans more than 15 years. "I've always benefited from the networking opportunities," he adds, "and since joining the board, I've learned a lot about legislative affairs. For the benefit of our industry and our own companies, we need to learn as much as possible about how legislation and regulations affect us."

Now that Ports is serving as SIGMA president, he is committed to the association's advocacy on behalf of independent marketers. "On the one hand," he believes, "the results of the 2024 presidential election may make things easier for us. Some EV [electric vehicle] mandates may be rolled back. And we won't hear rhetoric on the federal level about doing away with internal combustions engines."

On the other hand, Ports continues, "Awareness of both federal and state legislative and regulatory developments continues to be vital. At the federal level, we may have new opportunities." One legislative goal that Ports cites is extension of the Biodiesel Blenders' Tax Credit. The credit is currently slated to expire in 2025 and be replaced by a tax credit that goes to producers rather than blenders.

"Shifting the incentive structure for biodiesel will inevitably result in higher prices to the end user. So I think we can make a good

Mike and Matt Ports at the SIGMA 2024 Annual Conference in Boston.

April Ports, Matt Ports, Lori Ports, and Mike Ports at the annual Adam Charles Ports Foundation golf outing.

case to the new administration for keeping the blenders' credit," says Ports. Beyond the federal level, however, he adds that some states are already committing themselves to maintaining regulations that are more stringent than federal standards.

To those who may think that SIGMA involvement is only for the few who can devote the time, Ports replies, "While serving in association roles does take some time and financial commitment, you get so much education when you're part of the conversations on legislation, industry trends, and association issues. Our company couldn't have succeeded like we have without SIGMA and the tools we get."

The flip side, Ports adds, is that "others get to know you, which can give you opportunities to speak out on the issues to your state and federal representatives. And having an association like SIGMA behind you gives you more credibility, weight, and influence. So, I encourage anyone who's thinking about it to get involved."

Past, Present, and Future

This year Ports Petroleum marks 77 years in business. The company was founded in 1948 by Milton Ports as a branded fuel distributor. Son William took the company into retailing in the 1970s as independent marketers introduced self-service fueling and convenience merchandising.

Under Matt's father Michael, the family business expanded its retail portfolio during the 1980s and 90s into a chain of more than 70 sites.

Then in 2005, Ports Petroleum divested most of its retail holdings, paid off debt, and redeployed its assets. Today, the company boasts a diverse portfolio with divisions for fuel wholesaling, retailing, transportation, and diesel exhaust fluid. Ports Petroleum wholesales across Ohio and adjoining states, while operating 15 retail Fuel Mart sites in Ohio, Indiana, Illinois, and South Dakota.

On the wholesale side, the 2005 redeployment enabled Ports Petroleum to reenter transportation and provide customers a higher level of service. "Having our own fleet gives us access to multiple sources of supply so that we can buy product and price it competitively," says Ports. "And while we don't compete on a national level, we're a competitive option for local and regional fleet owners and end users." ▶

Fuelmart interior.

It's a truck!

Fuelmart in Tuscola, IL.

The old corporate office retail location in Wooster, OH circa sometime in the late 70's.

In retail, Ports has implemented a successful "less is more" strategy. From its heyday of 70-plus sites, Ports Petroleum retained the Fuel Mart name and the most sustainable locations. Ten of the Fuel Marts are truckstops with high traffic and strong local brand recognition while the rest are smaller format, in-town c-stores. "We've been able to invest heavily back into these locations and rebuild regularly as needed to continue to evolve the quality of the retail division."

Ports sees foodservice as a differentiator for the company's Fuel Mart truckstops. Multiple locations partner with quick-service restaurant brands including Subway, Hunt Brothers Pizza, and Chester's. Recently, Ports Petroleum also launched a program with Core-Mark to offer made-to-order sandwiches that has been incredibly successful. And in 2025-26, Ports will roll out its own Midwest Taco Company proprietary offering.

The greatest differentiator, however, for Ports Petroleum both in retail and wholesale is "our consistency of service," says Ports. "We're conservative with our finances and have avoided taking on too much risk. That means as a regional marketer we can offer a higher level of service than a national marketer. But it still comes down to price. If you don't buy well, you can't sell enough to make money. We have the experience, leadership, and access to succeed."

Back at the central office, Matt Ports last year took over presidency of the family business from his father Michael, who remains CEO. "My dad is still active in the business but doesn't have to be here every day," says Matt. "So, the time for the transition was right. We've focused the last several years on building up our leadership with young talent, a team of people that plan to make a home here for the next 15 to 20 years. Long-term, we're looking good."

As to the future, both for Ports Petroleum and for SIGMA, Ports is bullish. "Liquid fuels will be around longer than we will," he states. "So, a long runway remains. Independent marketers are resilient and nimble to take advantage of new opportunities. We have every reason to be optimistic about our future." ★

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Washington WATCH

Trump's Cabinet Picks and What They Mean for Energy Policy

A new President in the White House means the Senate will spend the beginning of the year considering and confirming cabinet members. These agency leads will develop the President's regulatory agenda for the term. President Trump's cabinet appointees provide some key insights into the priorities of the incoming administration, and the potential policies to be expected in the next four years of governance.

President Trump's energy selections line up with broader expectations that the incoming President will seek to reduce regulations and incentivize more energy production. There is meaningful risk for policies that incentivize petroleum substitutes, such as the Renewable Fuel Standard (RFS) and clean energy tax incentives currently being implemented by the Treasury Department. President Trump has also vowed to eliminate the tax incentives in the Inflation Reduction Act (IRA) enacted by Democrats in 2022. Although some of the provisions within the IRA could survive the Republican-controlled Congress, some rollbacks are still expected.

President Trump's trade and economic priorities may also create fuel demand headwinds. Overall, it is unclear whether the major international oil companies will have more influence over Trump's thinking than smaller, independent producers in the coming years.

Environmental Protection Agency

President Trump's selection of former Representative Lee Zeldin (R-NY) to lead the Environmental Protection Agency (EPA) forecasts a new deregulatory effort for the Agency that will likely represent a sea change from the outgoing Biden Administration's policies. Zeldin's record as a member of Congress mostly reflects a rank-and-file Republican that did not sit on committees that oversee energy or climate policy (though he did serve in the Conservative Climate Caucus). Zeldin's odds of confirmation are high.

Some clues about Zeldin's energy and environmental views can be gleaned from his unsuccessful run for governor of New York in 2022. During the campaign, Zeldin promised to reverse denials for new natural gas pipelines that had been blocked and suspend the state's gasoline tax.

The EPA has also long been a target for workforce reduction and fewer regulations by Republican lawmakers. Given this, and the ongoing "government efficiency" efforts led by Tesla CEO Elon Musk, there could be some budget and personnel cuts to EPA in 2025. It is unclear how this may impact Zeldin's ability to lead the agency.

Biofuels

Although Mr. Zeldin supported some anti-RFS legislation during his tenure in the House of Representatives, he was not a leader in those efforts, and it may be unwise to read too much into his former positions. Although the current RFS volumes are widely considered insufficiently ambitious, it is possible that President Trump's EPA will be inclined to leave them flat for 2026, particularly if higher mandates are perceived to be incentivizing imported feedstocks from China. Until additional political appointees are announced at EPA, it will be difficult to confidently predict directional changes for biofuels policy.

Electric Vehicles

The Zeldin EPA will very likely work to unwind and replace the Biden Administration's vehicle standards that effectively require automakers to produce more electric vehicles. The ▶

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Supreme Court's decision last July overturning the Chevron doctrine that provided judicial deference to agency analysis, is a dual-edged sword for President Trump. Agencies will now need to offer more tailored and specific explanation for rulemakings, and attempts to revoke rules will likely fall under greater legal scrutiny as well.

Department of Transportation

Trump has nominated former Representative Sean Duffy (R-WI) to lead the Department of Transportation. Although he did not serve on the Transportation Committee, Duffy pursued legislation that would waive Interstate vehicle weight limits for logging trucks hauling timber, and also cosponsored legislation that would increase weight limits if trucks were equipped with a sixth axle.

The next two years will see Congress begin drafting a multi-year highway reauthorization bill, where the Transportation Secretary always plays a major role. SIGMA will also closely track how the Transportation Department will handle the electric vehicle charging grant programs; unobligated funds may be vulnerable to rescission. Any effort to withhold, bottleneck, or otherwise slow-walk the funds that have not already been obligated would be vulnerable to legal action. Administrative efforts to rollback charging grant funds, though they may be bogged down by litigation, would meaningfully damage the progress and momentum of the EV charging market.

Elon Musk, despite being CEO of Tesla, is publicly opposed to charging incentives, and Tesla itself stands to benefit (counterintuitively) from a pull-back of federal EV incentives since Tesla's "first to market" stature means its competitors benefit far more from government incentive programs than Tesla does itself.

The Trump Administration is also reportedly planning to make a federal framework for fully self-driving vehicles one of the Transportation Department's priorities. Current federal rules pose significant roadblocks for companies looking to deploy vehicles without steering wheels or foot pedals in large quantities.

Treasury Department

Scott Bessent, a hedge fund manager, has recently emerged as one of the most prominent proponents of Donald Trump's economic philosophy. Trump nominated Bessent as Treasury Secretary, in large part because Bessent will bring authentic support for tariff policies as well as Wall Street credibility. Although Treasury is charged with implementing the IRA's clean energy tax incentives – including the forthcoming 45Z Clean Fuel Production Credit where SIGMA is closely engaged – it is unlikely Bessent is familiar with these more granular policy issues.

Department of Energy

The Energy Department consults with EPA on RFS implementation and the Treasury Department on biofuels and energy tax policies. Trump has selected Chris Wright, the CEO of a small oilfield services company Liberty Energy, which is focused on horizontal fracking in the American West, to run the Agency. Wright should have little trouble being confirmed despite universal opposition by environmental groups.

With Wright at DOE, IRA funds that are controlled by the agency are likely to be held up. The Trump Administration is also likely to end the Biden Administration's pause on LNG export authorizations.

Interior Department

Trump has placed North Dakota Governor Doug Burgum at the center of his incoming administration's energy initiatives by nominating him to (1) head the Interior Department and to (2) an energy czar role with a seat on the higher profile National Security Council. This newly-created position makes Burgum a major figure in coordinating a push across the federal government to proliferate energy production as an issue of national security. Burgum's presence on the National Security Council suggests energy considerations are likely to have an enhanced role in foreign policy decisions.

Agriculture Department

Trump has selected former Trump White House staffer and CEO of Trump-aligned think tank America First Policy Institute Brooke Rollins to run the Agriculture Department (USDA). USDA has historically played a critical role in consulting with EPA and Treasury on biofuel policies. While Ms. Rollins' views on biofuels policy are not particularly well known, SIGMA expects that Rollins' philosophical alignment with President Trump as it relates to tariffs and other economic policies will have direct impacts on the agriculture sector. ★

David Fialkov, Jessi Frend, LeeAnn Goheen, and Thereza Cevidanes represent SIGMA in government affairs matters. Please contact SIGMAGR@sigma.org if you would like to receive regular policy updates from the government affairs team.

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U.S. Atlantic Coast Gasoline Inventories Drop

BY STEPHANIE CRAWFORD, ARGUS MEDIA

Inventories of gasoline along the U.S. Atlantic Coast reached a 19-month low in mid-November as stronger demand coincided with a decline in imports and refinery production.

Atlantic Coast gasoline inventories have been steadily declining since late September and dropped in the week ended 8 November by 5.2pc to 51.3mn bl, the lowest since April 2023 and 2.5pc below a year earlier, according to Energy Information Administration (EIA) data. Total U.S. gasoline stocks reached a two-year low at 206.9mn bl in the first week of November. Market participants have noted that weaker seasonal gasoline imports have played a role in declining inventories levels since late September, while a weak transatlantic arbitrage persisted. Atlantic Coast gasoline imports were at 207,000 b/d the week ended 1 November, the lowest since April 2020, according to EIA data, before rising to 559,000 b/d during the second week of November. Imports averaged 379,000 b/d in the October through early November period, down from 520,000 b/d a year earlier.

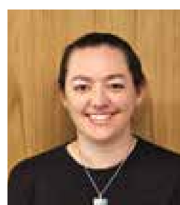
New York Harbor gasoline cargo arrivals totaled about 1.8mn bl during October, according to analytics firm Kpler, the lowest since November 2018. Arrivals were expected to total about 1.8mn bl in November, compared with about 3.8mn bl during November of 2023.

Thinner refinery production in New York Harbor also likely factored into declining gasoline inventories over October. Atlantic Coast refinery utilization hit a one-year low at 74.6pc the week ended 1 November, according to EIA data, before rising to 81.4pc in the second week of the month. Weak margins have continued weighing on gasoline production this season. Refining margins averaged $13.60/bl in the October through early November period, down from $16.90/bl a year earlier and off from $47.60/bl in the same period of 2023.

Seasonal turnarounds have also hit regional production levels. United Refining started a three-week turnaround at its 65,000 b/d Warren, Pennsylvania, refinery in mid-October. Monroe Energy has been conducting a fall turnaround at its 190,000 b/d Trainer, Pennsylvania, refinery.

Gasoline shipments from the U.S. Gulf Coast could still mitigate inventory levels if lower transatlantic imports into New York Harbor persist. However, most of those have been delivering into the southeast United States in November, further draining the resupply to New York Harbor.

Nationwide, U.S. product supplied of finished motor gasoline — a proxy for demand — rose by 6.3pc to 9.4mn b/d in the week ended 1 November, according to EIA data. ★



Stephanie Crawford has covered the U.S. Atlantic Coast gasoline market on the US Refined Products Team at Argus Media since 2016. She previously had experience in U.S. Gulf Coast and Atlantic Coast gasoline and distillate operations at Trafigura.

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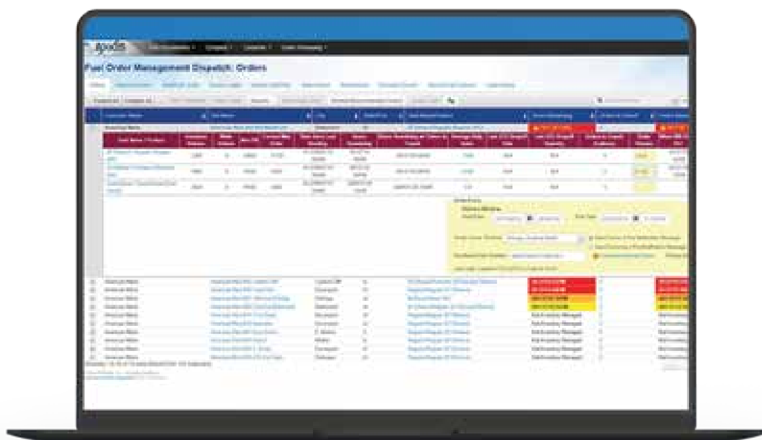

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Inside
RISK MANAGEMENT

Taking Risk Management Leadership to the Next Level

BY NATIONAL ACCOUNT EXECUTIVE PATRICK CUNNINGHAM, FEDERATED MUTUAL INSURANCE COMPANY

It Starts At The Top

In the fuel marketer industry, there is plenty to consider when it comes to setting the stage for solid risk management leadership and fostering a risk-aware culture. Leaders should model the behavior they wish to see, such as adherence to policies, participation in training, open communication, and prioritizing safety. When leaders take risk management seriously, it sends a powerful message to the entire organization.

Leadership Responsibilities

As a leader, you can do quite a bit to set your team up for success. For starters, you can consider:

- Hosting regular training sessions on safety subjects specific to the fuel marketers industry
- Developing sound policies, procedures, and documentation
- Setting clear expectations
- Rewarding positive behaviors
- Maintaining open communication
- Staying informed of current safety regulations and industry best practices
- Providing training, education, tools, and incentives to encourage employees to take ownership of risk management practices

Proactive Planning

Take the time to develop a proactive approach by anticipating potential hazards and implementing preventative measures. This can involve:

- Conducting regular risk assessments
- Reviewing and updating safety policies on an annual basis
- Providing necessary tools, equipment, and personal protective equipment (PPE)
- Encouraging breaks

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Patrick Cunningham
National Account Executive
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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.

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Inside CONVENTIONS

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Kick off the new year with SIGMA's 2025 Winter Conference (formerly ELC), February 2-5 in Vail, Colorado! Morning education leaves the afternoons free for networking and exploring all Vail Village has to offer – both on and off the slopes. Evening networking receptions create an intimate atmosphere for catching up with friends old and new and sharing best practices with industry peers. This is a meeting you won't want to miss.

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Day One will feature the origins of the Renewable Fuel Standard program, and the history of how it affects pricing contracts. Day Two will provide a deeper dive into actually setting up contracts and pricing formulas for rack bbls and will also include a rundown of the regulatory legislation coming down the pike that you need to have on your radar.

Dolores Santos is one of the most well-known and respected fuel supply experts in the industry. Dolores has a more than 45-year career, including being the VP of Supply for Flyer's, one of the largest fuel distributors on the West Coast.

Visit the SIGMA website for more information on our 2025 Winter Legislative Conference – and mark your calendars for the SIGMA 2025 Spring Conference in Scottsdale and the 2025 Annual Conference in Nashville. Get those dates on your books now to avoid future conflicts!

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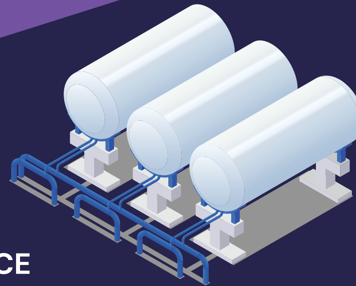

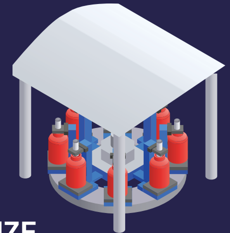

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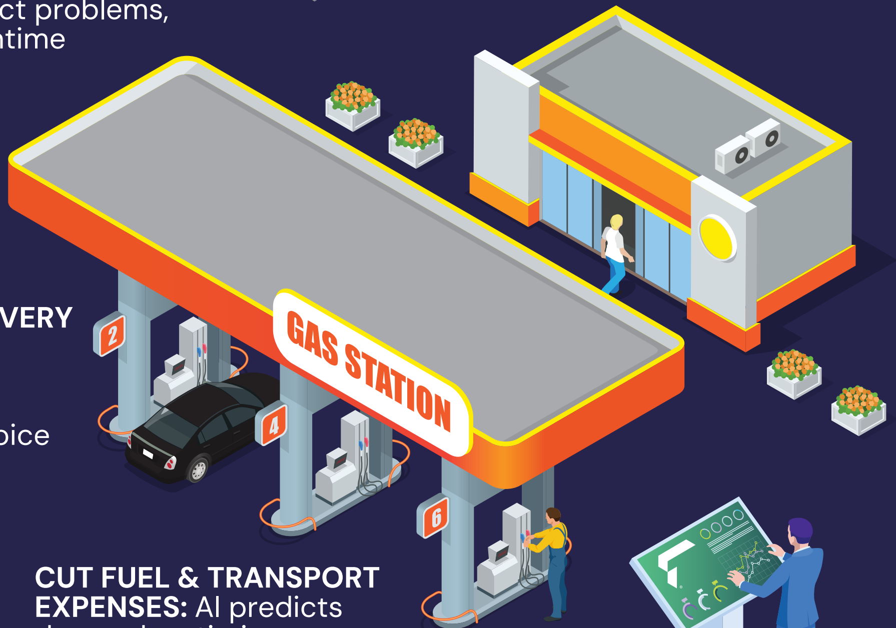

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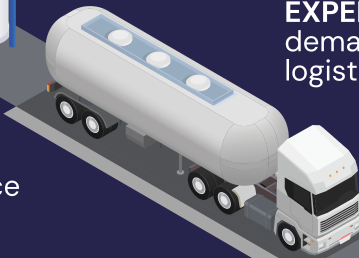

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Inside FAMILY BUSINESS

PRESENTED BY RONALD C. REECE, PH.D.

Things to Understand and Questions to Ask Part 1

In all my years of working with families in business, I don't think I have ever heard; 'We are excellent, excellent communicators. The level of openness and clarity among us is amazing to those around us. There is great understanding and alignment about where we came from, what we are about now, and where we intend to be years in the future.' Most often, I hear; 'We could sure do better at communicating. We all have such different views, and when we try to share it is often so difficult.'

On many occasions, I have heard from the younger generations that they can't get founders or senior generations to really share information or truly connect. Sure, there are the routine paternal or maternal 'you should do xyz, the repeating admonitions, or what one next gen called preaching,' but real dialogue exchange and understanding is harder to come by.

In 1999 I was engaged by an automobile dealer family. At some point early in our work, the second-generation son and daughter said to me, 'We just can't get dad to talk to us about meaningful, personal, family and business matters. When we try, he gives us the same lecture we've heard over and over.' That night in my hotel room as I reflected on the day, it occurred to me that a structured platform might be helpful. The next day, over a long lunch with dad, I used the following structure as a guide to learn what I could from him.

THINGS I'D LIKE MY CHILDREN TO UNDERSTAND/KNOW

• **PAST**
   o About Me; About Family; About Business & Money

• **PRESENT**
   o About Me; About Family; About Business & Money

•**FUTURE**
   o About Me; About Family; About Business & Money

Our conversation that day turned out to be quite fruitful. Since then, I probably have used this method more than 100 times, with significant success. The format has also been used with mom founders, senior 2nd and 3rd gen owners and non-owner spouses. So much needs to be said and heard, but often isn't. This little bit of structure has resulted in uncovering very meaningful topics as our conversations get deeper.

Consider for a minute topics you have thought about bringing up, just haven't gotten around to, or those that have been avoided for some anxious reason. Perhaps if you took a few minutes to use the structure and write your responses it would be surprising what shows up.

Here is a composite of responses from Dad owner founders, senior 2nd and 3rd Gen owners in different families.

THINGS I'D LIKE MY CHILDREN TO UNDERSTAND/KNOW

PAST

ABOUT ME

- I wish I had applied myself more – been more serious about life.
- I was an underdog.
- I feel I've been a pretty good leader and have found good people.
- In the past I probably failed at not admitting when I was wrong and on occasion not being very forgiving of others when they were wrong. "When it's me I want mercy, when it's you I want justice."
- I have not been perfect, nor do I expect others to be perfect. However, I have and do hold myself to a high standard and I expect those closest to me to do the same.
- I could be seen by some as "prideful" I have worked hard on this. ▶

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ABOUT FAMILY

- That a close family is very important. So much can be learned.
- It is where Love starts!
- Your mom has been a big support to me.
- I grew up in a business not a family.
- Competition may have begun with wives, but some sons have bought into the competition.
- A successful family requires its own investment of time.
- Never underestimate the value of a good family - including extended family.
- I wish we had done more to interact with extended family so we would know more about our relatives and their past. Family History.
- In the past it was often more about me and what I wanted than about other's needs.

ABOUT BUSINESS & MONEY

- My thoughts are all over the board on money! Somewhere between feeling guilty for having it --and loving having it.
- I set goals and took risks.
- Business was first.
- We stuck by our guns.
- Remember what I went through and never let that happen to you.
- There was old school mentality.,
- I had a vision; made decisions that might not make sense to others.
- Money availability was a false picture; yet we had a nice life.
- I wish I had saved more and taken a few more chances before I had more responsibility.
- I lived in fear the 1st 20 years. What am I missing? What do I not know?
- In some ways I have always been 'cash poor' due to the amount of money I needed to run the business.

PRESENT

ABOUT ME

- I'm happy with where I am.
- Blessed more than I deserve.
- I have more than I need.
- I try to be the best I can be day to day.
- Great feeling of accomplishment.
- I am exhausted, carrying the weight.
- I am proud.
- Stroke changed my perspective, now not worried about the small stuff.
- The present phase for me is one of transition.
- At 57, I think I may be getting to the point where I have a few things (not everything) figured out.

ABOUT FAMILY

- There is a lot of respect.
- Daughters are great and such good sons in law.
- Due to my past, I appreciate family.
- Being near each other is great.
- It's important for me to be here for you.
- I have great feelings with the grandkids.
- Wish that immediate family interactions could be better.
- Family is now a struggle.
- I truly enjoy being with my family.
- I try to help and take care of my kids.
- I worry, maybe needlessly, about how our family will work together.

ABOUT BUSINESS & MONEY

- No major concerns about managing assets.
- I am afraid to take my eyes off the ball.
- Your mom and I have given and given to others.
- Proud of what we've done.
- I continue to work on achieving the right balance.
- I still can't believe I own it.
- We are blessed that our business continues to increase in value, and we want to protect it for our future and your future.
- I have amassed more than I could have imagined when I was younger.
- Capitalism works.
- Money is a responsibility (give back).
- How much is enough?
- Do good with your money when you can.
- Gaining vast wealth is not what it's all about. Help others - be generous with your time and money.
- There will always be more business to pursue, there is always more work to do and there is always more money to be made.
- I am still very passionate about business and making money. It is always a challenge, there is always a new goal, it is fun and exciting when you are making money, and it is painful when you are not.

FUTURE

ABOUT ME

- Haven't quite got that figured out; need a sense of purpose.
- Want to travel.
- Want to reduce my stress.
- I need to find something new that gets my attention.
- I want to play more golf and become a 10 handicap again.
- I want to take more vacations with your mom.
- I am happy with my current status and what I have accomplished. It is their turn now.
- I'm going to basically retire and focus more on family and God. I want a stronger marriage when I finish than when ▶

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I started. I want to leave a legacy of a man of integrity.
- I have thought about my epitaph; knowing that most of my adult life has been spent in the petroleum business, I would like it to read something different than "he ran out of gas." How about, "Loving father, loving husband, loving grandfather, loving brother, good friend."
- I am excited and optimistic about the future.

ABOUT FAMILY
- Recognize our heritage.
- I would like to see them stick together and support each other. Be true friends.
- Have a purpose and make your own way.
- Between siblings there is always controversy, don't let anything tear you apart as family.
- Get face to face and talk about good and bad stuff.
- Teach kids to be down to earth and real people and not think they are better than others because of the financial situation.
- Create a great family.
- Your children won't be exactly like you.
- I look forward to watching our grandchildren grow up.

ABOUT BUSINESS & MONEY
- It's not all about wealth.
- If necessary, I am willing to live with less money and a business that is not growing as fast in exchange for more discretionary time.
- Be conservative and humble.
- It's good to reap the benefits of hard work but not be extravagant.
- To have a mentor and listen to them is important.
- Always have to balance growth and liability.
- Money is good.
- After you work in the "real world" for a few years, give you both an opportunity to work at our business. (It won't be given to either of you).
- Hopefully, the business can sustain a lesser contribution from me - if not, I will need to sell it.
- Always do the right thing, even if it costs us time and money.
- Business may flourish but I may not be here to enjoy it, that's depressing.
- I always want to continue to be creative in some aspects of business.
- Be charitable with wealth. Do not let money dictate values in your lives.
- You have to be in the game/in the fight – not on the sideline
- Remember, slow and steady wins the race. Look for opportunities and don't be afraid. Take maximum risks while you can but don't overdo it. Don't do anything illegal. If it sounds too good to be true, it probably is.

Look for the themes. So much food for thought and wisdom. If you are a senior gen I suspect you read items that remind you of things you have wanted to say. Maybe you have said some already. What if you found out from next gens what was on their minds?

If you are a next gen I suspect you read items that you would want to know more about. And could it be that you might have lots of Questions to Ask?

What if we purposely had conversations about all this?
I hope you all discovered a useful nugget or two. Stay Tuned. More to come in Part 2 of Things to Understand and Questions to Ask.

May 2025 be a time to really communicate and be prosperous with each other.

Happy New Year,
Ron

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Privacy

IN THE WORKPLACE

BY MAURA KELLER

Workplace privacy is certainly not what many people perceive it is or ought to be, especially with the proliferation of surveillance cameras, device monitoring, vehicle/GPS/driving monitoring, and other tracking technologies. Each of these can be justified as necessary for employee safety, fraud detection, or other legitimate concerns; and while employers often claim that the technology is not used for performance or productivity monitoring, there really is no way for most employees to know if their employer (or a third party on its behalf) is watching.

Sharon Polsky, president of AMINA, a privacy and data protection consultancy, has more than 30 years of experience advising corporations and governments about privacy and access matters and about the unintended consequences of emerging laws, technologies, and global trends.

In the early 1980s, long before call display was available, a law firm Polsky worked with had a device that printed the name and extension number of each person in the office who was called; how long the call lasted; and the caller's name and phone number.

"Few people in the office were aware of it, and it was easily explained as necessary to be able to charge clients accurately for the time spent on a call, and with whom," Polsky says. "Nobody in the office was concerned that details of their own phone calls were available for scrutiny. The outward focus is something that remains, even though employers often use privacy-invasive technologies to monitor internal goings-on."

Decades later, we now have a wide range of privacy-invasive technologies used by employers in all industries. As Polsky points out, employers invest in a range of technologies that monitor employees, and often justify it as necessary for safety or improved service. Fleet monitoring technology is a perfect example that enables an employer to see where each vehicle is – which would come in very handy if the driver doesn't return on time, or is involved in a motor vehicle accident.

"But while the vehicle's precise geolocation is being monitored, the employee's location is also being tracked," Polsky says. "If the employee takes the vehicle home, that information is also collected and becomes available to the employer and to whatever companies are involved in the data collection, analysis, and storage. And, while employers aren't supposed to use that sort of information for performance measurement, it's impossible for most employees to know whether that is or isn't happening."

In addition, collaboration platforms like Teams are helpful for improving productivity, detecting fraud and other risks, and much more; but few employees are aware that the platforms ▶

– which employers often require employees to use – are monitoring and evaluating every single comment.

"If a remark contains a key word, which can be anything the employer wants to be alerted about, the employer is notified and can use the information to determine next steps," Polsky says.

Another privacy risk that few organizations consider comes from the amount of information made publicly available on a website. As Polsky explains, until recently, it's become routine to publish a digital version of the annual report that included the CEO's signature – until those were repurposed for nefarious purposes.

"Organizations that opted to not have a webpage listing everyone on their Board have been criticized for not being fully transparent. The murder of United Healthcare CEO Brian Thompson quickly changed that, as companies realized that posting too much personal information can be a risk – and they've scrambled to remove all information that identifies their executive and Board members," Polsky says. "As with everything, it's important to consider the privacy-related risks along with the business benefits of each business practice, and the processes and technologies employed – not just the perceived or potential convenience."

Edward Hones, founder at Hones Law says privacy has shifted from focusing solely on physical spaces to protecting digital information and respecting personal boundaries. "Employers are now concerned about safeguarding sensitive company data in remote setups, while employees prioritize transparency around monitoring practices and the use of their personal information," Hones says.

David Case, president, Advastar Group, adds that workplace privacy is definitely a more complicated issue today than it was in the past. In fact, the biggest evolution Case has seen in workplace privacy is that there are simply more avenues for people to potentially infiltrate a workplace's systems and get access to a company's information than there were in the past.

"Before, it was necessary for someone to physically enter workplaces if they wanted to access their information," Case says. "That is no longer the case in many organizations, and when it comes to those that use cloud-based systems or data storage, the physical workplace isn't even where all of an organization's sensitive information is primarily stored.

Case also believes that the broader perception of privacy has shifted. From a personal standpoint, many people share a lot of information on the internet that would have been considered private in the past, sometimes just with their friends but in other cases with the world through social media, blogs, forums, etc.

"This can complicate the question of privacy for businesses, as well, since you can't necessarily control what information your employees, customers, or vendors share online," Case says.

So what do business owners need to know about privacy issues within the workplace? Primarily, Case says that even small businesses can't afford to ignore questions or concerns over workplace privacy.

"Not only is it more challenging to keep information private than in the past, but the potential for damage to your reputation and customers' trust is greater, because there are more ways for consumers to learn about data breaches or other privacy issues and there's more awareness around privacy issues overall," Case says.

Aside from this, Case would advise all business owners to familiarize themselves with the legal compliance standards related to privacy for their industry.

"This doesn't just apply to customer information but also the records you maintain on employees," Case says. "Knowing your responsibilities as a business regarding privacy is the first step to ensuring you're in compliance with these regulations."

Mistakes To Avoid

One of the most common mistakes business owners make as it relates to privacy in the workplace is a lack of transparency regarding security and monitoring practices as they relate to privacy.

"It isn't a problem to conduct surveillance or collect data to ensure privacy, but you should be up-front about the fact that you're doing this," Case says. "Otherwise, this can feel like a violation of trust, even if the measures were put in place to protect employees and customers."

Case also believes some business leaders go overboard with their employee monitoring, to the point that it can violate their privacy and erode their trust. This can also leave employees vulnerable to invasions of their privacy from outside the organization.

"For instance, if you monitor employees' keystrokes, watch through their webcam, track their personal devices, etc. then you need to make absolutely certain these systems are fully secured," Case says. "Otherwise, these become additional avenues malicious actors can exploit."

Hones says that another common misstep is excessive surveillance, such as tracking employees without explicit consent or monitoring non-work-related activities. Misperceptions, like believing all activity on company devices is fair game, can erode trust. Overstepping privacy boundaries can result in legal repercussions, such as lawsuits for invasion of privacy or wrongful termination. Beyond legal risks, it damages employee trust and morale, leading to lower productivity, higher turnover, and reputational harm for the business.

"Employers should balance monitoring with clear policies, focusing on work-related data and maintaining transparency," Hones says.

Polsky adds that many employers take the approach that all the information in the company system can be viewed or used for any company purpose.

"That's why some employers mistakenly think it's fine to sift through employee records to be able to send employees a birthday card, but that's crossing the line since that information was collected for tax and benefits purposes," Polsky says. "Also many employers build resentment, instead of trust. It's challenging for some managers to get past their belief that an employee is only productive if they're sitting in a chair in the office where the manager can see them. Putting employees under surveillance and monitoring their every move and keystroke sends the message that they're untrustworthy laggards unless under the boss's watchful eye."

In an ideal world, employees would know that they're under technological scrutiny; but in reality, that often doesn't happen – so employers can get away with a lot.

"Employees can consider reporting a privacy violation to the company's ethics board or whistleblower hotline, but might be reluctant if they think reporting violations might put them in an awkward position with coworkers or management," Polsky says.

Polsky advises that companies should objectively assess whether violating privacy – from putting employees under surveillance, or over-collecting or over-sharing personal information – is worth the scrutiny, reputational damage, investigations, significant fines, and bad press from whistleblowers going public.

So what role does data protection play in employee privacy? The patchwork of privacy laws that exist across American jurisdictions makes it challenging for employers and employees to know, with any certainty, what's allowed and what's not, Polsky says. A mobile workforce makes that calculation even more complicated.

"If you don't really need or have a valid legal or business reason to collect a piece of information, don't. The more you collect, the more costly it is to handle and store; the greater the risk ▶

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and consequences if the data is compromised; and the more arduous and costly it will be to comply with regulatory and freedom of information requests," Polsky says.

And make sure that all the personal information you collect – and that you provide to third parties to process or store on your behalf – is properly safeguarded.

"Also make sure that the contracts you have with third-party suppliers address all of the privacy risks, and impose the appropriate obligations on them to ensure the data they process and store on your behalf is secure," Polsky says. "After all, if your supplier violates your customers' or your employees' privacy, it will be you – not your supplier – that regulators will hold responsible."

Establishing Privacy Policies

When establishing privacy policies, there are certain "must have" components as the legislative landscape has become increasingly complex, and consumers' and employees' expectations surrounding privacy have become heightened due to various scams and security breaches.

Polsky says that the legislative and regulatory puzzle increases the complexity of managing different policies for different regions or business units.

"It's quicker and less costly to have a single high standard, with exceptions for specific and limited circumstances," Polsky says. "Having consistent policies across an organization makes it much easier to implement, modify, manage, and implement them – and simplifies training and meeting regulatory obligations."

Of course, Polsky adds that the importance of consistent policies can't be overstated. If policies differ between departments, locations, or business units, with conduct allowed today in one department but prohibited elsewhere, and what's allowed and not allowed can change with apparent abandon, it leaves everyone unsure of what to do and what to avoid.

"Privacy policies should include clear guidelines on what data will be collected, how it will be used, and how it's protected," Hones says. "They must also outline monitoring practices, employees' rights, and dispute resolution mechanisms. Policies should be reviewed annually or whenever there are significant operational changes."

Looking Ahead

When people hear the word 'privacy' they often think 'data' and whether information about them will be kept secure. In work and in life, privacy is much broader than just data and it is evolving every day.

"Technology is being applied in more and more aspects of daily living. Artificial intelligence, deep fakes, digital identities and currencies, and surveillance technology being built into every vehicle, computing device, and building demands that regulators, lawmakers, employers, and employees consider the value and the risks of adopting each technology," Polsky says. "Regardless how large your company's trading region happens to be, it's a small world when it comes to people who did, do, and might work there; and being cavalier or disrespectful about employee and customer privacy is a recipe for limiting who will want to join the organization. It's much more effective and less costly – in the short and long term – to be prudent about privacy and earn the trust of employees, customers, and regulators."
Hones believes the future will likely see increased regulation around digital privacy and a demand for greater transparency from employers.

"Challenges include managing privacy in increasingly sophisticated remote monitoring systems and navigating the ethical use of AI in assessing employee performance," Hones says. "Employers must stay proactive to balance innovation and privacy rights effectively." ★

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A Look Back at M&A Themes: The IPO Wave, International Entrants, and Mega Deals

BY SEAN P. DOOLEY, CFA, ASA, MANAGING DIRECTOR
DOWNSTREAM ENERGY & CONVENIENCE RETAIL INVESTMENT BANKING GROUP
MATRIX CAPITAL MARKETS GROUP, INC

As we look forward to 2025, we thought it would be interesting to reflect back on some of the major themes of the past and how they continue to shape the current M&A landscape in the downstream energy and convenience retail industry. This article will focus on two key areas: How the different types of buyers have evolved over time (2010 – 2014 and 2015 – 2019); and, the prevalence of larger, marquee M&A transactions in more recent years (2020 – 2024).

2010 – 2014

Coming out of the 2008 financial crisis brought about significant changes to potential buyer pools:

• **Limited access to debt capital** – Following the Great Recession, financing predominantly underwritten by real estate values was much harder to come by, given the decrease in underlying asset values and the increased scrutiny of the credit underwriting process (both at the bank level and the regulatory authority level). With limited, and more scrutinized access to debt capital, the role of individual store buyers in sale processes was reduced. The same factor also hampered small-to-medium regional acquirers who were more reliant on loan-to-value financing metrics vs. others borrowing on a cash-flow basis (i.e. funded debt-to-EBITDA coverage, fixed charge coverage ratios, etc.).

• **Historically low interest rates** – Extremely low cost of debt (and capital) provided additional opportunities for well capitalized buyers. While low interest rates were relatively enjoyed by all, the disparity between what large companies could borrow vs. smaller companies and individual store buyers, was dramatic.

• **Continued divestment of retail portfolios by the major oil companies** – The majors' continued divestment of retail assets provided regional jobbers the opportunity to achieve significant scale in sale processes where they had some intangible advantages over the larger strategic buyers. The divestment process of various major oil companies shedding their retail portfolios became a springboard for small-to-medium sized fuel distributors to gain significant scale. This was also sometimes the acquirer's first taste of an M&A transaction, a new marketing geography, and/or more complex business operations (and in some cases all three). It was during this time period that certain serial acquirers such as Empire Petroleum, GPM Investments, Lehigh Gas, and others began to push the larger strategic buyers to pay higher multiples and to bid on target companies in their entirety vs. just selecting the most desirable sites. The willingness of the aforementioned companies, as well as Sunoco (under ETP's ownership) and TravelCenters of America's foray into the convenience store channel, to enter into new, non-contiguous markets was the primary underlying factor in pushing the larger strategic buyers who were no longer just competing with in-market buyers that were readily apparent to them.

• **Access to public equity capital markets** – This time period would see the first fuel-distribution centric Master Limited Partnerships (MLP) go public; i.e., Susser Petroleum Partners LP and Lehigh Gas Partners LP – both in 2012 (Global Partners, GLP, was a terminal focused MLP initial public offering in 2005 that has since evolved to be more fuel distribution focused). The IPO markets, specifically MLP issuances, were embracing relatively small go-public offerings (even at or slightly less than $50 million of corporate EBITDA for some offerings, which is a very small, micro-cap level, in the context of publicly-traded corporations), so some of these serial acquirers were scaling up with an eye towards the new optionality of a liquidity event via an IPO.

Buyer Segmentation

In the 2010 – 2014 timeframe, potential buyers could largely be segmented into the following categories:

- Buyers driving consolidation for very desirable acquisition targets
  - Large c-corporation strategic buyers
  - Publicly-traded MLPs
  - Former regional jobbers who had entered new, and often non-contiguous, markets
- Buyers left competing more for secondary and tertiary opportunities (e.g., regional jobbers considering only in-market targets)
  - Buyers selling and/or leasing stores on a one-off basis (e.g., individual store buyers) ▶

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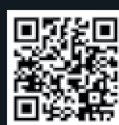

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Key takeaways from 2010 - 2014

- Privately-held serial acquirers are jumping geographies, entering new markets, and pushing the entrenched large strategic buyers to be more competitive in sale processes (both in purchase price multiples and dampening cherry-picking tendencies)
- Privately-held companies with scale can now achieve a liquidity event via an IPO vs. only an outright sale
- Once public, the MLP model lends itself to further acquisition activity
- Individual store buyers play less of a role given hampered financing and less break-up sale opportunities
- International companies showing increased interest in the U.S. (e.g., Parkland acquiring SPF Energy)
- Mega ($1+ billion) deals begin to occur
  - Energy Transfer Partners (ETP) acquires Sunoco and Susser in separate transactions
  - Marathon acquires Hess' downstream business

2015 – 2019

As we moved into the second half of the last decade, there were several carryover themes; however, a notable change was the entry and expansion of international companies in the U.S. As seen in the table below, the entrance of the EG Group into the U.S., with its Kroger convenience store platform acquisitions, was a game changer and disruptor for the incumbent, large scale acquirers.

Key takeaways from 2015 - 2019

- Continued themes
  - Access to, and the relatively low cost of, debt capital was a tailwind
  - Less break-up sales due to competition for M&A targets
  - Continued consolidation, including some mega deals (by extension reducing the number of larger active acquirers)
- Marked changes
  - Out of favor MLP model, which correlates with more difficult and expensive (to issuer) secondary limited partner unit offerings and incentive distribution rights
  - Major oil divestments of retail sites concluded in the early part of the decade
  - The Tax Cuts and Jobs Act (TCJA) of 2017 introducing accelerated tax depreciation; very advantageous for acquirers ▶

Buyer	Seller	Year	Notes
Empresas Copec	Mapco Express	2016	U.S. platform acquisition
Applegreen	The Brandi Group	2017	U.S. platform acquisition
Applegreen	CrossAmerica Partners	2018	Lease of 43 stores
EG Group	Kroger (convenience stores)	2018	U.S. platform acquisition
Applegreen	Carolina Convenience	2018	
Quiñenco S.A. / Enex	Road Ranger	2018	U.S. platform acquisition
EG Group	TravelCenters of America	2018	Minit Mart Portfolio
EG Group	Fastrac Markets	2019	
EG Group	Certified Oil Company	2019	
Applegreen	CrossAmerica Partners	2019	Lease of 46 stores
EG Group	Cumberland Farms	2019	

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Buyer	Seller	Year	Cost
7-Eleven, Inc.	Speedway	2021	~$21B
Murphy USA	QuickChek	2021	~$625MM
Pilot Co.	SC Fuels	2021	Undisclosed
World Kinect Corporation	Flyers Energy	2022	~$775MM
BP Products North America Inc.	TravelCenters of America	2023	~$1.3B
Alimentation Couche-Tard, Inc. & Majors Management	Mapco Express	2023	~$725MM
7-Eleven, Inc.	Sunoco LP (Stripes C-stores & Laredo Taco Company)	2024	~$950MM
Casey's General Stores, Inc.	Fikes Wholesale Inc.	2024	~$1B
Alimentation Couche-Tard, Inc.	GetGo	2024-25	Announced, ~$1.6B
Nouria	Enmarket	2024-25	Announced, undisclosed

2020 – 2024

As we moved into this decade, EG Group's (and Applegreen's) M&A appetite waned, but there has been no shortage of very large, marquee M&A deals. Many such acquisitions have been by public-companies as detailed above.

Key takeaways from 2020 – 2024

- While it is unlikely the pace and frequency of mega transactions will continue, one cannot help but observe in real time what could be the largest transaction of all time for the industry: the potential sale of Seven & I Holdings (the Japanese parent company of 7-Eleven)
- Often after a sizeable acquisition the buyer will pause on other large-scale M&A for a period of time while they integrate the acquired business

Conclusion

If 7-Eleven is ultimately acquired by Couche-Tard / Circle K there would undoubtedly be a substantial store divestment required by the Federal Trade Commission and Department of Justice in a number of markets that would create significant growth opportunities for existing industry participants and potentially the ability for a new platform or platforms to be formed.

Other, select and intriguing key questions to consider for the second half of this decade:

• How will BP look to grow its TA / travel center portfolio in future years?

• Will public companies look to do further step out transactions akin to Murphy USA acquiring QuickChek and Casey's purchase of CEFCO/Fikes?

• With nearly all fuel brand related deed restrictions from the major oil company divestments of 15 - 20 years ago now expired or expiring soon, will other major oil companies (BP's acquisition of TA) look to make outright acquisitions of existing jobbers and convenience store operators, additional joint-ventures, and/or other creative investments that effectively guarantee them ratable, branded supply/throughput volume?

Only time will tell as we continue to monitor and observe the ever-evolving petroleum marketing and convenience retail M&A market in the U.S. ★

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Reducing Emissions through Fuel

BY JOHN EICHBERGER, TRANSPORTATION ENERGY INSTITUTE

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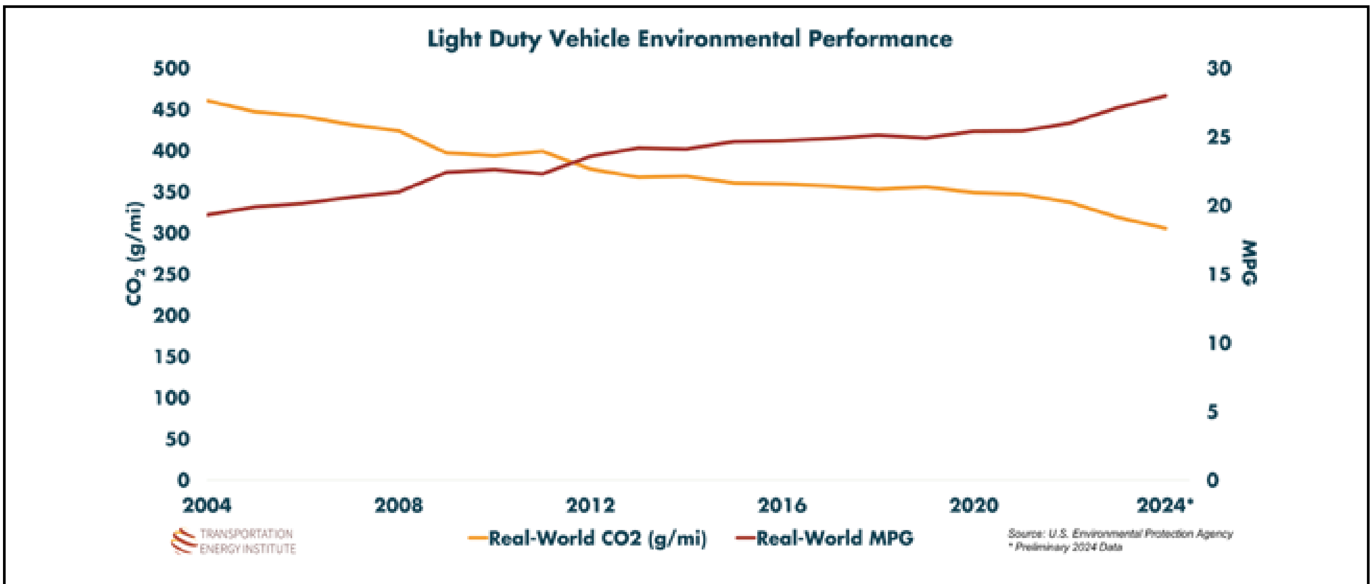
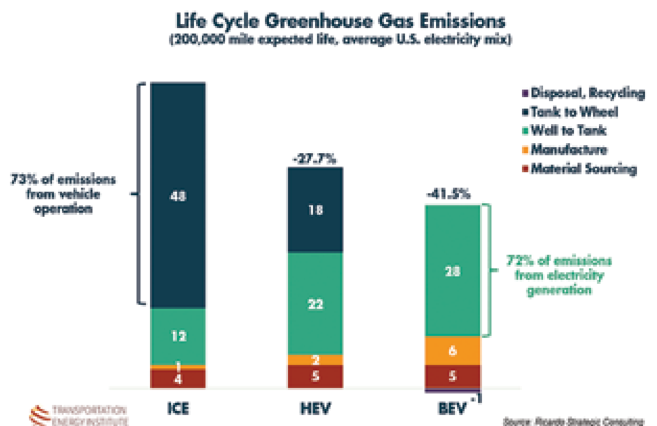


There continues to be an endless fascination with the new and exciting. However, as we continue down the path to lower transportation emissions, it is useful to reflect on how far we have come so far and how we got here. Since 2004, the United States light duty fleet has increased its fuel efficiency 45% and reduced its greenhouse gas emissions by 34%. This was achieved by a combination of improved vehicle engineering and performance and the introduction of lower carbon fuel. It is important to recognize the role energy plays in the environmental performance of the sector because it is only through fuel (including liquid, electric, and gaseous forms) innovation that we can further reduce the emissions of the vehicles that are currently on the road.

A Life Cycle Approach

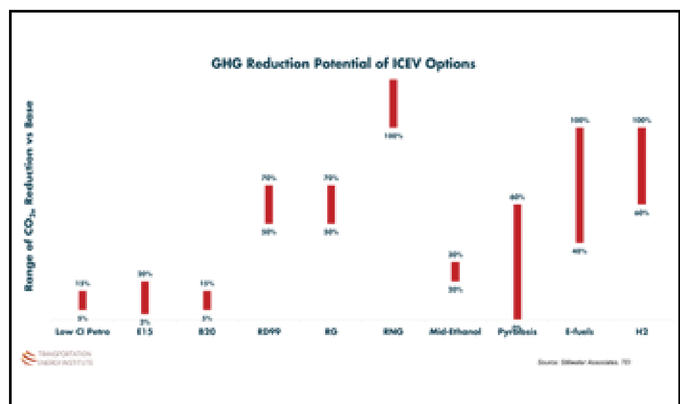
According to our life cycle analysis study published in 2022, nearly three-quarters of life cycle GHG emissions from both internal combustion engine (ICE) vehicles and battery electric vehicles come from the energy used to power those vehicles. For both technologies, improvements can be made in new-to-market vehicles, but for the nearly 300 million vehicles registered in the United States and 1.5 billion in the world, addressing the carbon emissions potential of the energy is the only way to reduce emissions.



As we look at the current fleet, it is most helpful to focus on the legacy ICE vehicles, considering EVs currently represent less than 2% of the fleet. So how do we do reduce the emissions potential of the existing liquid fuel supply? There are innovative ▶

projects and products that can be brought to the market over time, such as e-fuels, renewable gasoline, and advanced production practices, and we should continue to work on these and bring them to market because they hold great potential. One dangerous assumption we should remain mindful of is the idea that we need a “single” source solution, one breakthrough that will solve all of our emissions issues. The reality is this may not exist; instead, we should be looking at a combination of incremental improvements that are compatible with each other.

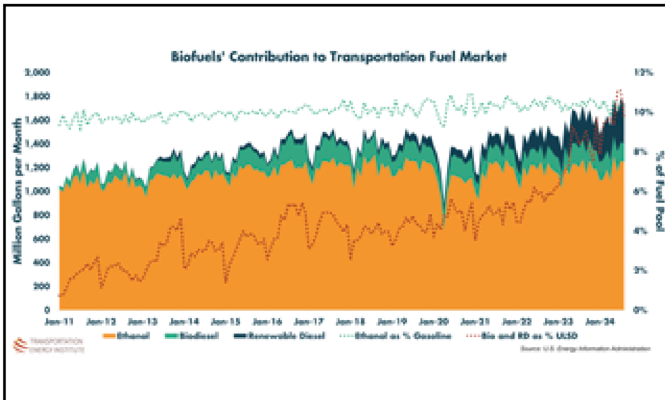
For example, when we apply a life cycle approach to solving the problem, we open up a host of possibilities. A life cycle approach means that we value the reduction of carbon emissions wherever they exist, including at the oil and corn fields and lithium mines, within the refineries and electricity generation facilities, as well as at the tailpipe and in final disposal or recycling of depleted resources. By doing so, we might be able to compound environmental benefits. Imagine a crude oil that is extracted using renewable energy and methane sequestration rather than flaring and then processed into gasoline at a refinery that also uses renewable energy and sequestration. Then, blend this lower carbon product with 15% volume ethanol that was produced from corn grown using sustainable agricultural practices in a biorefinery that also uses renewable energy and sequestration. Then, perhaps we could also add up to 5% renewable gasoline and some e-fuel, both of which are not yet scalable to mass volumetric production and may only be available in small volumes. If these options can effectively be combined to yield the finished gasoline product, how much carbon might we be able to remove from the transportation sector?

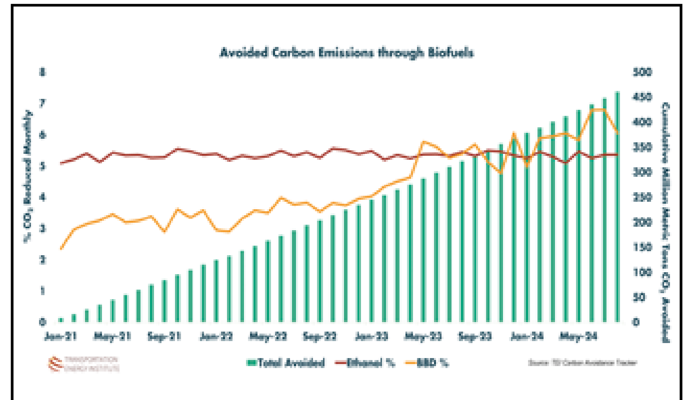


The Impact of Biofuels

If we take a look at our use of biofuels, which has been enabling lower emissions and enhancing domestic energy security over the past three decades, we can better understand what we might be able to achieve with existing and potentially new processes and products.

Since 2011, we have increased our monthly consumption of biofuels in the United States by 65%. This was of course supported by the Renewable Fuel Standard (RFS) and the California Low Carbon Fuel Standard (LCFS), as well as the Blenders’ Tax Credit, programs which resulted in a significant increase in renewable fuel use and reduction in carbon emissions. Today, ethanol comprises about 10.5% of the gasoline pool and biodiesel and renewable diesel comprise around 10% of the diesel pool. The expansion of this market has been incredible and it has had a positive impact on emissions.





When we look back at just the past three years and use the TEI Carbon Avoidance Tracker tool, which applies the carbon reduction variables published by Argonne National Laboratory in their GREET model, we can see how effective biofuels have been in reducing GHG emissions from transportation. On a monthly basis, the use of ethanol, biodiesel, and renewable diesel takes an average about 5% of carbon out of the system and over the past three years these products have mitigated more than 455 million metric tons of CO2 emissions. According to a calculator provided by the U.S. Environmental Protection Agency (EPA), reducing 115 million metric tons of CO2 per year is equal to taking nearly 35 million vehicles off the road or operating 44,800 wind turbines for a year (the United States currently operates approximately 75,000 turbines).

Despite the progress made with leveraging biofuels to expand the fuel supply and reduce emissions, there is more we can do. Our 2024 report, Balancing the Benefits of Biofuels, demonstrated that we can use more biofuels and develop new sources of feedstock while not disrupting the supply or affordability of food as some have contested. It is possible to pursue environmental progress while protecting our economic interests - these need not be mutually exclusive objectives.

As we begin the new year, let's work together to identify solutions to our environmental challenges that preserve access to affordable and reliable transportation energy for all consumers, that support the specific use cases for which certain vehicles are deployed, and provide economic opportunities for businesses that will encourage investments in such solutions. TEI will continue to evaluate all viable options to provide the market with some insight into what might be possible and feasible. It is our hope that, but supporting the conversation, we can help decision makers reach for solutions that improve the transportation market for all stakeholders. ★

John Eichberger is Executive Director of the Transportation Energy 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.

THE NUANCES OF IN-STORE RETAIL MEDIA

BY MAURA KELLER

Each day, consumers are bombarded with thousands of advertising images and messages on billboards, television screens, the internet, and at strategic placements, such as gasoline pumps, inside bathroom stalls, or even underfoot. One advertising avenue that gasoline marketers and convenience store owners are utilizing even more is in-store retail media strategies in an effort to capture consumers' interest at the point of purchase.

In-store retail media is a big practice that Jeff Hoover, director of convenience store strategy at Paytronix, is keeping his eye on as multiple brands are looking to understand how to implement in-store retail media across their locations.

"It's a bit too early to tell how consumers are reacting to [in-store retail media], but theoretically they should respond well," Hoover said. "Adding to this, brands with robust loyalty programs and large membership are likely to get a lot more value and will help maximize the dollars than can get from retail media."

So what is in-store retail media and what does it look like in today's competitive ad space environment? Quite simply, in-store retail media has traditionally taken the form of screens displaying commercial ads that play when customers walk by. While this method of advertising has been a staple of in-store marketing for years, Hoover notes that the landscape of in-store retail media is evolving.

"Convenience store brands like 7-Eleven are now utilizing Gulp Radio, a Retail Media Network (RMN) designed to leverage customer purchase and behavior data from their loyalty members," Hoover says. "Gulp Radio, part of a broader network that uses multiple channels to influence customer decisions, specifically aims to impact shopper decision-making at the point of purchase through in-store audio."

In fact, today the growth of digital customer experiences means in-store retail media is no longer limited to just ads you walk past. It can now be leveraged through social media, gas pumps, connected TV, and display ads. Some brands are even getting creative, like CVS, which uses space on receipts to encourage return visits.

Because of its ongoing success, in-store retail media is expanding for several reasons – most notably, the rise of data-backed decision-making.

As Hoover explains, convenience stores are beginning to make more strategic decisions as an industry. Massive retailers like Walmart and Target have been utilizing in-store retail media for some time, setting the pace and trends for the industry.

"Historically, the fragmented nature of convenience stores meant that shifts by one brand often didn't impact others. For example, brands like Wawa have long had excellent foodservice offerings, but it wasn't until multiple brands experimented and figured it out that others followed suit," Hoover says. "This change is occurring thanks to the rise of industry aggregators that act as intermediaries between brands and CPG companies, helping to influence the direction of the industry across multiple brands simultaneously. These aggregators have helped navigate around traditional roadblocks, fostering greater industry shifts."

Additionally, in-store retail media is expanding because convenience stores have heavily invested in loyalty programs and understanding digital engagement. As Hoover further explains, by leveraging customer data and identifying the best channels to connect with their audience, they have created a more engaged customer base. This engagement responds positively to digital offers, allowing convenience stores to monetize more efficiently. "In store retail media consists of screens strategically placed to not only grab the consumers attention, but, done properly, enhance the shopping experience," says Paul Ruitenberg, managing principal of Retail Fluent Media Network. "For convenience store owners, the opportunity extends beyond immediate in-store sales. Store real estate has significant value and convenience store owners who install digital screens have the opportunity to greatly enhance revenue by bringing in national advertising dollars. The number of retail media networks is expected to double in the next 18 months."

Ruitenberg adds that consumers are responding to retail media in a very significant way based on point of sale (POS) data. Brands are seeing double-digit sales increases when they have active in-store media campaigns, which explains why in-store retail media ad spending continues to increase and will exceed $1 billion by 2028.

"Retail media is expanding because the transformation from print to digital is happening more every day," Ruitenberg says. "E-commerce has grown dramatically, advertisers want to reach consumers at the point of sale and that creates an opportunity for convenience store owners. From coupons to QR codes, additional advertising dollars are being spent for both programmatic and direct advertisers who want to be seen in a c-store. It all adds up to more incremental dollars to the store or chain."

According to Tom South, director of organic and web at Epos Now, the rise of in-store retail media is paving the way for tangible, "phygital" locations that can expand to countless industries around the world. "Phygital" is a marketing term that describes physical and digital experiences.

"Thanks to digital transformation trends, customers have become more responsive and accommodated to app-based ►

loyalty programs and in-store screens showcasing special offers on a daily basis," South says. "This makes individuals receptive to personalized offers based on their levels of purchase intent and favored products."

For retailers, the ability to use point-of-sale technology and loyalty programs to gear in-store media towards the pairing of popular and underselling products to drive more sales, introducing new items that aren't generating enough engagement, and automating special offers for customers at risk of churning, can be highly valuable.

"In-store media can also point to the instant gratification needs of shoppers, creating flash special offers that can change instantly once inventory levels reach their expected rates, for instance," South says.

Jeff Mains is the founder of Champion Leadership Group, where he and his team help SaaS and professional service firms scale through innovative strategies. With the rise of in-store retail media, Mains has observed how businesses are blending traditional retail environments with the precision of digital marketing to drive engagement and sales.

According to Mains, in-store retail media is the merging of physical retail environments with digital advertising strategies. He sees it as a way to create personalized shopping experiences by leveraging technology like interactive displays, digital shelves, and QR codes that connect shoppers to online content or promotions. For example, a grocery store might feature a smart screen near the produce aisle showcasing recipes tied to specific items, with clickable options to add ingredients to an online shopping list.

"It's not just about advertising – it's about adding value to the shopping journey while driving purchasing decisions in real-time," Mains says. "It feels like the in-store equivalent of browsing a well-targeted ad online but with immediate access to the product."

In-Store Retail Media Strategies That Work

In Mains' experience, consumers are responding well to in-store retail media when it's done thoughtfully. Shoppers today expect personalization, and these tools deliver just that – without feeling intrusive.

"For example, when one retail client implemented digital screens with product reviews and price comparisons in-store, they saw a 20% lift in sales for featured products," Mains says. "However, the response hinges on balance. Consumers value helpful information, not overwhelming or irrelevant ads. Over-saturating a store with digital media can detract from the physical shopping experience, so I believe it's critical to prioritize quality over quantity in content."

Developing an in-store media network is not something a single store or even a 100-store chain should consider doing alone, says Ruitenberg. Creating content, content management system (CMS)/ad serving platforms, Geopath certifying screens, selecting the right screen, managing, and servicing the network along with selling advertising to consumer package goods (CPG) companies directly or going through their agencies requires an experienced team creating deals based on either cost per mile (CPM) or spot sales.

"Find the right partner that can not only explain how their network works, but also how the store will benefit from the partnership. A good network partner also needs to be sure that the advertising the store displays needs to be contextually relevant to both the store and the consumer," Ruitenberg says. "Advertising dollars are spent on media networks that have scale. Thousands of strategically placed screens are needed to become attractive to CPGs or agencies. A true media network will be able to provide proof of ad times and at what price the ads were sold as well as the percentage of income the store will gain after all expenses."

South adds that because retail media is adaptable, the content can be fine-tuned to display offers based on customer segmentation, purchasing trends, or stock that's failing to sell efficiently.

According to eMarketer data, spending on in-store retail media is set to increase by 46.5% from 2023 to 2024, illustrating how convenience stores are increasingly adopting the technology to improve their targeted advertising.

"The reason that retail media is so attractive to convenience store owners is because it's more adaptable than static advertising which can be costly to change too frequently. Instead, stores can advertise different products on a reel of offers if they wish," South says. "These can help to promote selling product pairs, advertising underappreciated inventory, or using customer sentiment analysis to showcase products at a time when they're more likely to be bought."

The Future In-Store Retail Media

In Mains' opinion, the growth of in-store retail media stems from the convergence of two trends: the push for omnichannel integration and the increasing sophistication of retail data analytics. As he explains, retailers are leveraging insights from their loyalty programs, purchase histories, and even real-time foot traffic patterns to target shoppers more effectively.

"What's fascinating is how this extends the value proposition of traditional brick-and-mortar stores by creating experiences that feel as dynamic and engaging as e-commerce," Mains says.

Additionally, in-store retail media offers brands a new revenue stream. Retailers can monetize their in-store advertising space by partnering with manufacturers or third-party advertisers, creating a win-win scenario that benefits consumers through more tailored shopping experiences.

"To top it all off, in-store retail media isn't just a passing trend—it's a glimpse into the future of retail, where physical and digital experiences converge," Mains says. Done right, it can turn the store itself into a storytelling medium that enhances both brand engagement and shopper satisfaction.

"One significant advantage is that it allows CPG dollars to directly support convenience stores in ways they haven's historically," Hoover adds. "With a better understanding of their 'impressions,' brands can market themselves more effectively, securing funds that were previously inaccessible. These funds can then be reinvested into enhancing the guest experience, such as improving foodservice, maintaining cleaner stores, forming unique brand partnerships, and more. As brands continue to refine their ability to facilitate one-on-one conversations with customers, the potential for in-store retail media will only grow."

Ruitenberg believes the future is certainly bright for in-store media networks.

"Currently we are seeing what looks like a land grab, stores and companies adding screens everywhere, most of which will fail because they don't truly understand what it takes to run a successful network," Ruitenberg says. "Walmart, Amazon, Target, Kroger and all of the largest retailers are taking full advantage of their networks and bringing in hundreds of millions in additional revenue. Retail media networks are certainly here to stay. Advertising experts are seeing 30% growth each year for the next two to three years. Finding the right partner that is well known, has scale, understands retail store design and the experience in running a network is the key to success."

South believes the future of in-store retail media appears bright, due to its greater adaptability and the potential to advertise multiple products at the same time.

"In the future, we could see more stores ramp up their hardware to combine offers and ensure maximum exposure to customers in-store," South says. "With customers showing that they're more receptive to limited-time offers, we could see the introduction of 'happy hour' style pricing for products and super-brief discounts to encourage more foot traffic throughout the day. ★

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Waiting for Guidance

BY PAUL WINTERS, CLEAN FUELS ALLIANCE AMERICA

U.S. production of renewable diesel expanded exponentially the last few years, roughly quadrupling since 2021. Biodiesel and renewable diesel today meet 9% of U.S. on-road distillate demand, with California representing a majority of that market. But with a major change in tax structures due on January 1, the U.S. clean fuel industry is facing uncertainty that threatens to pause or roll back recent progress.

In August 2022, Congress substantially rewrote the U.S. tax code through the Inflation Reduction Act (IRA). Lawmakers set December 2024 as the final expiration for the long-standing Biodiesel and Renewable Diesel Blenders Credit, known as §40A in the U.S. tax code. In its place, Congress created the Clean Fuel Producer Credit – designated §45Z in the tax code – which is available to a range of fuels for 2025 - 2027. The new credit can be claimed by low-carbon diesel, natural gas, butanol, methanol, dimethyl ether, and hydrogen, as well as biomass-based diesel producers. The value of the new credit will depend on the carbon intensity of the fuel as well as certain labor practices of the producer.

U.S. biodiesel and renewable diesel producers are familiar with models that compare the carbon intensity of renewable and petroleum fuels. Various lifecycle analysis (LCA) models are baked into programs like the federal Renewable Fuel Standard (RFS) as well as California's Low Carbon Fuel Standard and Oregon's Clean Fuels Program. But the transition from the long-standing blender credit to the new producer credit is more complicated.

Who claims the credit is the first issue. Where §40A gave fuel blenders a credit against their excise tax on fuel sales, §45Z grants U.S. renewable fuel producers a deduction on their income tax obligation. The law also requires renewable fuel producers to register (or re-register) with the IRS and obtain a new activity letter before they can file for the credit. Treasury released guidance in May 2024 establishing temporary registration procedures. And while Treasury encouraged producers to submit applications before mid-July to ensure they received the registration letters by January 1, 2025, the agency has not yet issued the letters to many producers.

How much the credit is worth is the second issue. Where §40A was set at $1 per gallon for all biodiesel and renewable diesel sold in the United States, §45Z will have a variable rate based on the fuel produced and feedstock used. Treasury's May guidance indicated the agency would provide further guidance "at a later date" on emissions rates, certification requirements, and tax credit values. But the agency has not provided that information.

As a result, many fuel producers – particularly small, non-integrated biodiesel producers – have reached a stalemate in negotiating contracts with feedstock suppliers and fuel marketers for activity beyond January 1. Without knowing the value of the credit, parties can't agree on the prices of raw materials or finished fuels. The stalemate is likely to impact fuel production, availability, and prices in early 2025.

With the uncertainty around the new §45Z tax policy, many industry participants are asking for an extension of the §40A credit. Representatives Ann Kuster (D-NH), Claudia Tenney (R-NY) and Mike Carey (R-OH) introduced bipartisan legislation in July to grant a one-year extension of the blender credit. Many of the industry's long-time champions –such as Rep. Adrian Smith (R-NE) – support that legislation. And in November, Clean Fuels joined American Soybean Association, National Oilseed Processors Association, and several state soybean associations in asking Congress to temporarily extend the §40A credit.

The new §45Z tax credit promised forward-looking certainty through 2027 for biodiesel, renewable diesel, and SAF producers. It appears the industry will start 2025 without any tax policy in place. Because these fuels are meeting a significant part of the nation's distillate fuel demand, policy certainty and continued industry growth are essential to the nation's economic and energy security. Clean Fuels continues to call on Congress and the Administration to provide policy certainty to all stakeholders in the clean fuel sector's value chain. ★

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CHANGING THE WAY THE WORLD COUNTS CASH

California Refiners Wait and See How New Product Storage Policies will Impact Operations

BY JANET MCGURDY AND SARAH HERNANDEZ, S&P GLOBAL COMMODITY INSIGHTS

California is tightening refinery oversight to prevent gasoline price spikes as it navigates the often rocky path toward energy decarbonization, balancing its forward-looking clean energy policy with current fossil-fuel energy demand.

While California's clean energy transition has driven changes, it also has created tensions and supply disruptions. The transition is taking longer than hoped for by many policymakers, making it necessary to keep carbon-based transportation fuel in the mix longer than anticipated. But in response to California's stated policy goal of phasing out fossil fuel use, refiners are reluctant to invest in facility upgrades, and instead have one planned shutdown next year. Or, as in the case of Marathon Petroleum and Phillips 66, they have repurposed refineries for renewable fuel production supported by credits from the state's Low Carbon Fuel Standard (LCFS) program.

The end result is less California refining capacity. So, while the number of drivers have been growing, California's refining capacity has been dwindling. Oil products production on the West Coast has been declining faster than the demand contraction since 2023, leaving the system highly reliant on imports and internal transferences, adding to price volatility amid tighter inventories.

More Refinery Capacity to Close

As of October 2024, the state had 1.6 million b/d of crude oil refining capacity, according to the California Energy Commission (CEC), down from the 1.9 million b/d of California refining capacity in 2020. This, according to some refinery executives, has left the state half a refinery short to meet demand. And more capacity will come offline in 2025 as Phillips 66 shuts its 139,000 b/d Wilmington refinery, which accounts for 8.57% of California's refinery capacity.

"The state was designed around its refining system. It was well supplied, and that supply is declining. And the resupply is more difficult," said Matthew Lucey, PBF CEO on the Oct. 31 Q3 results call. PBF's two refineries – the 156,400 b/d Martinez and the 160,000 b/d Torrance facilities – account for almost 20% of California's current capacity.

Lucey said refinery closures create difficulties from both logistics and economic standpoints.

"Your resupply into California from imports is three weeks to a month of travel time. So I think, broadly speaking, it's going to rely significantly more on imports," he added.

S&P Commodity Insights analysts wrote in their 2024 Downstream Market Profile version that motor gasoline average production is expected to close 3.2% below the 2023 average, remain unchanged in 2025, and decline about 4% each year to reach 925,000 b/d in 2030 for a total decline of 18% relative to 2024. Diesel production is expected to shed 2.9% against 2023, decline 9.3% in 2025 and continue dropping at a rate close to 1.8% to reach 348,000 b/d in 2030, which is 17% lower than the expected close in 2024.

California's Energy Island

Oil traders have always described California as an "island" when it comes to refined products. And is true. Geographically and logistically, the state is cut off from gasoline and diesel supply from states east of the Rockies because there are no pipeline connections. Waterborne imports from the U.S. Gulf Coast require using more expensive and scarce Jones Act tankers, as well as the necessity of navigating Panama Canal traffic. California's gasoline supply is further constrained by the state's more stringent, clean-burning gasoline specifications, known as CARBOB.

As a result, California drivers depend on gasoline produced by fewer in-state refineries to fill their tanks, buttressing supply with supplemental volumes from Washington state, South Korea, and maybe a few blending operations in eastern Canada, Amsterdam, and the Bahamas depending on fragile arb calculations.

California's gasoline inventories have been consistently lower than the U.S. average on a days-of-supply basis, according to the Energy Information Administration. EIA data shows between 2019 and 2023, California's five-year gasoline inventory averaged just over 20 days of supply compared with the U.S. average of 21.6 days. ►

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So, when a California refinery is taken offline unexpectedly for unplanned maintenance, the price of gasoline soars. Looking to smooth out the price spikes, California has turned to its legislature to address this issue.

Diesel is less of a problem. The West Coast now produces more diesel than it consumes, resulting in small and infrequent imports. The West Coast has started to export more diesel as increasing demand for renewable fuels and energy policies reduce consumption for petroleum-based fuels. The SPCI analyst forecast expects diesel imports to remain unchanged at 16,000 b/d from 2023 to 2030. On the other hand, a surplus peak is expected around 2030 amid the increase of renewable diesel supply. Exports are expected to dip from 138,000 b/d in 2024 to 135,000 b/d in 2025, then grow to 177,000 b/d in 2030.

Most jet fuel and gasoline imports into the USWC originate in South Korea. Imports were expected to reach an 18-year record high of 84,000 b/d in 2024, decline to 59,000 b/d in 2025 and to 35,000 b/d in 2030 amid the demand contraction. Exports are expected relatively stable at 40,000 b/d in 2024, 39,000 b/d in 2025 and 35,000 b/d in 2030 amid the production decline.

Decreased product imports and stable exports are expected to keep regional refined product inventories tight. Inter-regional transfers will be limited due to a lack of pipeline infrastructure.

Structural Demand Changes

The West Coast gasoline market share makes up about 17% of the total United States. But the West Coast's has trended toward higher vehicle efficiency and higher zero-emissions vehicle adoption rates. By the end of 2023, 36% of total U.S. vehicle EV registrations were in California and 47% in the West Coast, known as PADD 5, S&P Global CI analytics data showed.

Gasoline per capita demand growth in 2023 in PADD 5 decreased 0.6% against the previous year, the equivalent of 2 gallons/year, amid high retail prices and higher work-from-home rates. The analysts expect the decline to go from 333 gallons per capita a year in 2025 to 266 gallons/year in 2030, a one-fifth decline from 2023. The structural decline comes as the region is expected to continue leading in vehicle feet fuel efficiency standards, EV penetration, and strict environmental policies.

Diesel demand per capita, on the other hand, grew 0.2% in 2023, or 0.3 gallon/year on more moderate consumer spending. For 2025, the current forecast expects a 9% reduction to 127 gallons/year and a decline to 106 gallons/year in 2030.

Road diesel demand is expected to be affected by the evolving heavy duty truck fleet. The long-haul trucking sector will be less impacted by alternative drive train adoption because diesel drive trains will remain the lowest cost to own and operate.

Legislative Remedies

California turned to its legislature to pass two laws to manage gasoline supply by increasing regulation over the refineries responsible for producing it. In October 2024, California Gov. Gavin Newsom signed into law Assembly Bill X 2-1 to develop a process establishing a minimum level of reserves for each refiner, each refining region, each fuel, and each blending component. The bill goes into effect in January 2025. will also develop a process for maximizing the use of existing storage infrastructure to be used to store the gasoline reserves and authorize the California Energy Commission (CEC) to require refiners to plan for resupply during refiner maintenance outages, putting the implementation and enforcement of the bill under the oversight of the Department of Petroleum Market Oversight (DPMO).

The Assembly bill built on Senate Bill X1-2 passed in June 2023. It was known as the California Price Gouging and Transparency act in order "protect Californians from experiencing price gouging at the pump by oil companies," according to the CEC.

"Senate Bill X1-2 calls for California refiners to notify the California Energy Commission (CEC) and the Department of Industrial Relations, by mid-September every year, of their planned maintenance turnarounds for the following year," according to an emailed statement from the CEC. "Additionally, refiners are required to submit a form at least 120 days before a planned event providing more detail around the event."

The two bills aim to moderate any price spikes like one in autumn 2023 when CARBOB pump prices rose near or above historic $6/gal levels, which cost Californians up to $2.2 billion, according to the state's newly-minted DPMO.

"Refinery outages are often used as an excuse to jack up price statewide based on a few spot market trades – even though the costs for most refiners do not go up. These price spikes are profit spikes for the oil industry," said Tai Milder, head of the DPMO in an emailed statement. "By bringing transparency to the industry, we discourage this kind of profiteering behavior. The governor's special session legislation gives us critical tools to prevent price spikes," he added.

A Global Influence

Refiners and industry sources note many of the factors influencing gasoline prices in California and elsewhere are global. ▶

For example, California's CARBOB production for the week ending Sept. 20, 2024, was lower than it was in 2023, averaging 5.013 million barrels compared with California's CARBOB production of 5.145 million barrels for the week ended Sept. 22, 2023, according to the CEC's Weekly Fuels Watch.

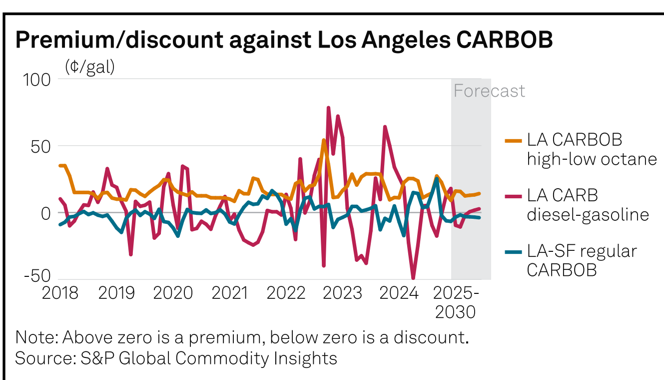
CARBOB inventories stood at 5.09 million barrels for the week ended Sept. 20, 2024, down from the 5.89 million barrels Sept. 22, 2023. Despite lower September 2024 production and inventories, the spot market price of Los Angeles CARBOB in September 2024 averaged $2.35/gal, below the $3.67/gal average seen in September 2023, according to Platts, part of S&P Global Commodity Insights.

Part of the explanation is the price of crude, which accounts for about 50% of the cost of gasoline, and its price is determined by a global market. Crude prices were significantly higher in 2023 than in 2024 with Dated Brent averaging $74.33 in September 2024, compared with $94/b in September 2023, according to Platts assessments. Higher crude prices also affected other regions in 2023, with U.S. Gulf Coast CBOB 87 averaging $2.56/gal in September 2023, compared with the $1.90/gal in September 2024.

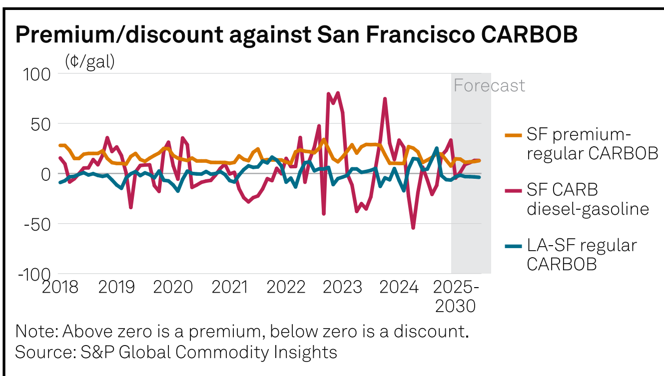
Los Angeles CARBOB is the most liquid market on the West Coast, with the rest of the products trading usually at a premium or discount against the main marker. According to Platts, regular CARBOB in Los Angeles averaged $2.494/gal by Dec. 13, while the analysts forecasted a year average of $2.4354/gal. For 2025, CARBOB price is expected to decline to a year average of $2.1543.

Los Angeles CARB diesel's average in 2024 was $2.4472/gal, 4.68 cents/gal lower than gasoline. The forecast expected an average of $2.4334/gal, 0.20 cents below gasoline. For 2025, CARB diesel's forecast was $2.0591/gal, or 9.52 cents below CARBOB.

The 2025 forecast shows high-octane grades to hold their strength against regular grades. Diesel discounts relative to gasoline, however, are expected to continue for the coming three years in Los Angeles, while San Francisco could flip to premiums in 2026.



Note: Above zero is a premium, below zero is a discount.
Source: S&P Global Commodity Insights



Note: Above zero is a premium, below zero is a discount.
Source: S&P Global Commodity Insights

Refiners Sanguine

Refiners have long had a love-hate relationship with California and are watching to see the impact from their actual implementation. "A lot of these are driven by a lot of political rhetoric that you see coming out of the state," said Richard Walsh, Valero's general counsel, on the Oct. 24 Q3 results call. "And I think when we see that pass from the legislature and the political arena back over to the CEC for implementation, I think you see them struggle with a lot of these ideas."

Walsh said while ideas may sound good politically, but when faced with market reality, the price of gasoline could be even more costly. "You can't have policy that impairs supply and then expected to lower prices for customers," he added.

He noted that all these regulations have a caveat in them that require the CEC to implement the laws only if they find that the actions will lower cost for consumers. "And that's going to be the challenge for them," he said.

Legislative estimates put the impact of AB X2-1 on lowering gasoline pump prices at between 7 to 10 cents/gal. However, estimates as to how much the amended state's landmark LCFS bill could add to a price of gasoline vary widely with estimates as high as a 65 cent/gal increase.

Refiners like Valero have been evaluating impacts of the new laws on the two refineries it owns in California, which account for over 14% of the state's refining capacity. "On strategy, we've been consistent for over a decade, probably even longer than that in terms of our -- how we manage and steward the West Coast, and it's largely driven by California policy," said Lane Riggs, Valero's CEO on the Q3 call.

"We've minimized strategic [capital expenditures], we make sure we maintain a really reliable operation through our maintenance [capital expenditure], which in turn positions us as a core call option on West Coast cracks," he said. "With that said, California is increasing its regulatory pressure on the industry. So it's really considering everything, all options are on the table," he added. ★

Janet McGurty is a multi-faceted energy markets specialist and journalist at S&P Global Commodity Insights currently focused on refineries, renewables and transport fuels. Previously, Janet spent 20 years at Reuters covering energy financials as well as crude oil and refined products markets in London, New York and Toronto.

Sarah Hernandez is the Americas light ends manager for Platts, joining S&P Global in 2019 as a senior pricing specialist covering the US gasoline markets from Houston. She came from PMI, the trading arm of Pemex, where she was a senior analyst since 2014. She had been a junior analyst since 2008 at Pemex and a process engineer with Du Pont in Mexico from 2006 to 2008. She has a Master's of Science in chemical engineering from the Instituto Tecnologico de Celaya, Mexico.

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GREAT! No fuel leaks! Then where is my product going?

BY TONY CAPUTO, WARREN ROGERS

Today's underground fuel storage regulations are quite stringent for all the right reasons! No fuel operator wants to pollute the environment, primarily due to the high financial impact, out-of-control insurance costs, and it's just plain bad for business and the local communities where they operate!

If you have recently built, or plan to build a new fuel station or travel center, you understand the costs of the latest technology required to do so. From high-tech tank, sump, and dispenser probes, advanced tank monitors, added sensor requirements, and complex tank, fill, and sump designs to allow for sensor monitoring, the cost of construction adds up quickly. These are all great new features that have reduced the amount of underground storage tanks, lines, and dispenser leaks dramatically.

The latest leak detection methods work very well, but several variables remain that negatively impact your fuel inventories. This impact can be as high as 1-2% of sales revenue. The common reaction from fuel operators is ***"All my tanks and lines are tight, but I am still losing product. Where the heck is my product going?"***

The chart below reflects the advantages and disadvantages of each method of leak detection, including sensors, interstitial monitor, SIR, BIR, and ATG-based line and tank testing. The latest technology is very good at detecting and alerting the operator when leaks or sudden, catastrophic losses are suspected but they do very little to address the other costly areas of fuel loss. ▶

LEAK DETECTION METHOD	TANK LEAKS	LINE LEAKS	INCORRECT TANK CHARTS	TANK AND DISPENSER THEFT	DELIVERY AUDIT	DISPENSER BLEND ERRORS	METER DRIFT	CONTINUOUS MONITORING	ANALYST NOTIFICATIONS & ASSISTANCE
SENSORS/ INTERSTITIAL MONITORING	✓	✓						✓	
CSLD/SCALD/CITLDS	✓							✓	
PLLD		✓						✓	
SIR	✓	✓	?	?	?	?	?		
BIR	✓	✓	✓		✓			✓	
CITLDS- CONTINUAL RECONCILIATION -enables flow rate, dormant dispenser detection, precision charting, ratio blend verification, mapping confirmation.	✓	✓	✓	✓	✓	✓	✓	✓	✓

Such fuel inventory variances, or suspected losses, can lead to numerous reactions by the operator, including expensive on-site testing, unnecessary upgrades in equipment, site downtime, and loss of business and profitability. Often, the investigation shows no findings and the issue remains. During this investigation, numerous compliance, maintenance, and accounting staff hours were consumed. These investigations are also distractions from other parts of the business and highly inefficient.

Other sources of fuel loss outside of tank and line leaks can include:

- Fuel delivery shortages at the terminal, by the hauler, or by the driver
- Dispenser meter drift
- Incorrect tank charting
- Dispenser theft
- Theft directly from fuel tanks
- Incorrect ratio blends or mapping, causing tank variance irregularities
- Inability to account for transactions during a delivery, resulting in "allowances" for write-off

Fuel losses can arise from various issues across operations, some intentional and others accidental. Here's an explanation of each listed factor:

1. Fuel Delivery Shortages

This occurs when the amount of fuel delivered is less than what is invoiced by the supplier.

Causes: Delivery errors, fuel retention in the delivery truck, or intentional shortages.

Impact: Operators pay for fuel they don't receive, affecting profitability.

Solution: Monitoring tools like Continual Reconciliation in combination with BOL auditing to compare delivery receipts to actual fuel level changes in tanks.

2. Dispenser Meter Drift

Gradual inaccuracies in dispenser meters can result in over-dispensing (fuel loss) or under-dispensing (customer dissatisfaction).

Causes: Wear and tear, environmental factors, or improper calibration.

Impact: Financial loss, compliance risk, and reduced trust from customers.

Solution: Continuous reconciliation and monitoring tools detect these discrepancies early for correction.

3. Incorrect Tank Charting

Tank charts, used to calculate fuel volume based on tank level readings, can become inaccurate due to tank warping, installation errors, or miscalibration.

Impact: Leads to incorrect fuel inventory records, making it harder to track losses or deliveries accurately.

Solution: Recalibration of tank charts and precise monitoring tools ensure inventory accuracy.

4. Dispenser Theft

Theft occurs when unauthorized individuals tamper with dispensers to take fuel without paying.

Impact: Immediate loss of inventory and revenue.

Solution: Monitoring dispenser activity for anomalies like unexplained reductions in inventory or high flow rates.

5. Tank Theft

Tank theft occurs when fuel is siphoned or stolen directly from underground storage tanks (USTs).

Impact: Lost revenue and increased safety risks from unauthorized tank access.

Solution: Security measures, including locked access points, alert systems, and continuous monitoring can help to detect unauthorized activity.

6. Incorrect Ratio Blends

When fuel blends (e.g., ethanol-to-gasoline ratios) are incorrectly mixed, it can cause operational and compliance issues.

Causes: Human error during delivery or faulty blending equipment.

Impact: Financial loss, customer dissatisfaction, and regulatory fines.

Solution: Monitoring systems detect improper blends for quick resolution.

7. Inability to Account for Sales During a Fuel Delivery

During fuel deliveries, tank monitors may temporarily be inaccurate or offline, making it hard to distinguish between delivered fuel and sales. Or, your current accounting methods have no way to track the dispensed sales made during a fuel delivery.

Impact: This creates reconciliation challenges and may mask losses.

Solution: Systems like continuous reconciliation track sales and inventory simultaneously, ensuring accurate accounting even during deliveries.

By addressing these issues proactively, fuel operators can protect their profits, maintain compliance, and operate efficiently.

For any fuel operator interested in tackling the issue of fuel variance in their operations and taking more profit to the bottom-line, there are options. By employing CITLDS, or Continuous Reconciliation as it is often called, a fuel operator can address the non-leak variances they are incurring today.

Continual Reconciliation employs advanced technology to capture dispenser totalizer metrics, transactional information, and tank monitor-related information in real-time. Such connections can also capture dispenser flow rates and detect dispenser dormancy. Advanced analytics are then used to compare each transaction and series of transactions to ensure that dispenser transactions match physical product leaving the tanks. When discrepancies are discovered, the software will alert analysts to conduct investigations and help to determine the suspected causes.

For Continual Reconciliation to work properly, you must first start with a "clean set of books" or an accurate foundation of metrics. To do so, analysts, using advanced software, will "chart" your tanks to make sure the tank charts are accurate. Over time, tanks may settle or deform, leading to irregularities in conventional fuel accounting systems and SIR leak detection. These irregularities may flare up on delivery days and then balance again on non-delivery days. But this noise can be distracting, disguising other sources of loss, such as dispenser tank theft.

In addition, traditional accounting systems and tank monitors without costly BIR modules do not account for the sales that transpire during a fuel delivery. Continual Reconciliation captures these quantities and applies the amounts to curate fuel delivery amounts.

In summary, leaks are serious and almost every store has some form of tank or line leak detection in place to recognize when a leak is suspected. However, some of the warnings can be latent or so small they only appear over time. Fuel losses can occur at any time from numerous areas of the business and are often confused as leaks since inventory has come up "short", above your tolerance level or at a failure rate higher than allowed by federal regulations.

Continuous reconciliation and location monitoring can accurately help you to get to the root of non-leak fuel variances quickly, saving staff time and high investigative costs.★

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.

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— Tate Sideman, Vice President & General Counsel, The Fikes Company

CFPB Issues New Guidance on AI in Employment Decisions

BY SUSAN FAHEY DESMOND, MCGLINCHEY STAFFORD

Technology—what did we ever do without it? There are many technological programs at an employer's disposal, ranging from checking a candidate's background during the application process to surveilling employee activity by using AI-based technology through smartphones and similar devices. Many of these reports contain sensitive information unknown to workers, which can significantly impact hiring decisions, job assignments, and career advancement.

Legislative Focus on AI in Employment Decisions

Legislators have begun to take notice of concerns surrounding employer use of AI in employment decisions. For example, on July 20, 2023, Senator Robert Casey (D-PA) introduced a bill that would establish an interagency task force to address employer surveillance and use of workplace technologies. To date, Senator Casey's bill has not had any movement outside of its being referred for committee consideration.

Federal Agencies Respond to AI and Employment Bias Risks

Because of slow Congressional activity, federal agencies have been actively addressing employers' use of AI through regulations, publications, or the like. The Equal Employment Opportunity Commission (EEOC) and the Office of Federal Contract Compliance Programs (OFCCP) have both addressed concerns that employer use of AI may cause bias or discrimination in the decision-making process. On October 24, the Consumer Financial Protection Bureau (CFPB) entered the fray by publishing a circular to address the issue.

CFPB Reminds Employers of FCRA Compliance Obligations

The CFPB's circular states that employers may be required to follow the Fair Credit Reporting Act (FCRA), which regulates information collected by consumer reporting agencies such as credit bureaus, medical information companies, and tenant screening services. In essence, the circular states that the FCRA applies to the use of third-party consumer reports regarding an employee's background, monitored activity, and "black box" AI or algorithmic scores.

FCRA Requirements for Employer AI and Third-Party Reports

As a reminder, the FCRA requires the employer to obtain written consent from the employee, prior to obtaining a consumer report. The employer must also provide transparency about the data it will use in making an adverse employment decision and must further allow the employee to dispute any potentially inactive information.

According to CFBP Director Rohit Chopra, "Workers shouldn't be subject to unchecked surveillance or have their careers determined by opaque third-party reports without basis protections." ►

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For more information on how to make a donation please contact Ginny Griffin at ggriffin@sigma.org

Examples of FCRA-Applicable Consumer Reports

The CFPB considers the following types of consumer reports to be subject to FCRA's requirements:

- Predicting worker behavior. Thinking about assessing the likelihood that workers may engage in organizing or estimating the probability that a worker may resign their position? If the report can potentially influence management decisions about staff retention and engagement strategies, the FCRA will apply.
- Reassigning workers. Thinking about how to better utilize your workforce by using automated systems to address worker performance, availability, and historical patterns to make future assignments? The FCRA will apply.
- Disciplinary actions. Considering whether to use automated systems to make the decision of whether to impose a written warning or to terminate employment? The FCRA will apply.
- Evaluating social media activity. Thinking about monitoring your applicant or employees' use of social media in making a decision to hire or impose discipline? The FCRA will apply.

Action Steps for Employers

The CFPB recommends that employers take action now to address how the FCRA might come into play when they use third-party vendors or AI programs to address employees' activities in the workplace. Thus, the agency is encouraging employers to review their current practices in using third-party consumer reports to ensure compliance with FCRA requirements. ★

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For more than 35 years, Susan Fahey Desmond has helped companies – hospitals, banks and credit unions, manufacturing companies, offshore oil companies, school districts, and others – minimize the cost and disruption of employment disputes.

She defends wage and hour, wrongful discharge, non-compete, Family and Medical Leave (FMLA), and other claims. Clients seek her litigation counsel for age, sex, disability, race, religion, and sexual harassment discrimination lawsuits, as well as class actions. She helps employers dispute Equal Employment Opportunity Commission (EEOC) charges and other administrative complaints and navigate the administrative and judicial process. And, perhaps most importantly, she works with management and HR to resolve issues before they develop into contentious litigation.

In addition, Susan has an active practice counseling employers on employment practices, from advising on employment contracts to drafting and updating employee handbooks to crafting effective workplace policies and procedures. A natural public speaker, she regularly conducts training seminars for managers and employees on various topics, including FMLA and FLSA compliance, employee speech, employer investigations, records retention and destruction, layoffs and downsizing, and more.

Given her extensive representation with the financial services, healthcare, manufacturing, and education industries, Susan prides herself on an innate understanding of her client's operations. Her first step in working with new clients is to tour their facilities, to familiarize herself with their workplace environment, norms, and practices, and hear the way they talk about their work first-hand.

Susan's clients range from companies with 30 employees to Fortune 100 companies. Whether handling terminations with finesse, managing claims of disability discrimination or wrongful termination, or addressing labor concerns, clients know they are in capable hands with Susan's guidance. They rely on her experience inside and outside the courtroom to guide them through complex disputes before and during trial and on appeal.

Could a Retail Media Network Be Your Store's Superpower?

BY BRE OTERO, DIRECTOR OF REVENUE MARKETING, PDI TECHNOLOGIES

Imagine turning your convenience store into a money-making billboard that actually helps customers. Welcome to the world of retail media networks, one of the industry's hottest trends.

If you examine the numbers, this isn't just a passing fad. The retail media network market is projected to reach $160 billion by 2027 (GroupM), with over 60% of retail executives already planning to participate (Deloitte). But while big-box retailers have been playing this game for a while, many convenience retailers are still discovering the value of a retail media network.

To simplify the scope of this article, we're going to focus exclusively on in-store retail media networks for c-stores rather than the more complex and expensive online networks.

What Exactly Is a Retail Media Network?

You can think of an in-store retail media network as a meeting place between your store, advertisers/CPG brands, and shoppers. At a fundamental level, it's essentially a platform that helps brands showcase their products right where purchasing decisions happen—inside your store. The value stems from the fact that the network is based on a win-win-win scenario:

- Customers get more relevant offers and savings
- Brands get more targeted advertising and promotions
- Your store gets a new revenue stream

One of the most compelling reasons convenience retailers are embracing retail media networks is profitability. Advertisers and CPG brands crave your first-party data to better understand consumer behaviors and emerging trends. If you can leverage that data to attract more brand spending, your profits can quickly add up. By consistently delivering results, you'll soon become a trusted partner that brands and advertisers will continue to work with.

How Does It Work?

Even if you haven't implemented a full-scale retail media network, you undoubtedly have some elements in place. But it's not just about slapping up a few advertising posters. It's about creating the right mix of traditional and digital formats in your store, such as:

- Static displays to highlight products
- Digital screens that change based on time of day
- Electronic shelf labels to show discounts
- Interactive kiosks
- Even audio broadcasts throughout your store

Together, these formats help guide shoppers through an in-store journey that helps convert them into buyers. Picture this scenario: It's 3PM, and commuters are starting to stream into your store. Your digital displays automatically switch to showcase energy drinks and quick snacks. A loyal customer walks in and sees an offer for their favorite drink or a new protein bar—right at the time they're most likely to buy it.

Why Should You Care?

There are many valid reasons to build an in-store retail media network. Here are three:

1. **Turn data into dollars:** Your store's data is like hidden treasure. Brands are desperate to understand shopper

behaviors, and you have the treasure map. By sharing insights from your loyalty program and transaction data, you can create a new revenue stream that helps offset razor-thin c-store margins.

2. Supercharge your loyalty program: Loyalty programs aren't just punch cards anymore. They're your key to understanding customer behavior. Imagine making your regulars feel like VIPs—and incentivizing them to keep coming back.

3. Use tech to work smarter, not harder: The beauty of an innovative retail media network is its ability to integrate seamlessly with your existing systems. Your promotions, point-of-sale data, and back-office software should all work together like a well-oiled machine, revealing previously hidden insights.

The right technology is vital to your success. The combination of first-party data, proximity to your point of sale, and integration with your loyalty program, offer network, and back-office software gives you a closed-loop process to accurately track and measure program performance—which is exactly what CPG brands and suppliers need to justify their continued investment in promotions or advertising.

You Don't Have to Go It Alone

If all of this feels like a lot, don't worry. You don't need to build an entire system from scratch. Many technology vendors specialize in helping convenience stores like yours set up retail media networks without breaking the bank. Partnering with an experienced vendor can streamline the process and help you eliminate barriers to entry.

After all, it's not about adding complexity—it's about working smarter and turning your store into a data-driven, customer-loving powerhouse. Narrowing your focus to an in-store network can help you start faster and quickly identify areas of repeatable success.

Pro tip: You don't need to overhaul everything overnight. Start small with a few digital displays, integrate with your existing loyalty program, and keep mining your data for insights!

The future of convenience stores isn't just about selling products—it's about creating experiences, understanding your customers, and turning every square foot of your store into a revenue opportunity. ★

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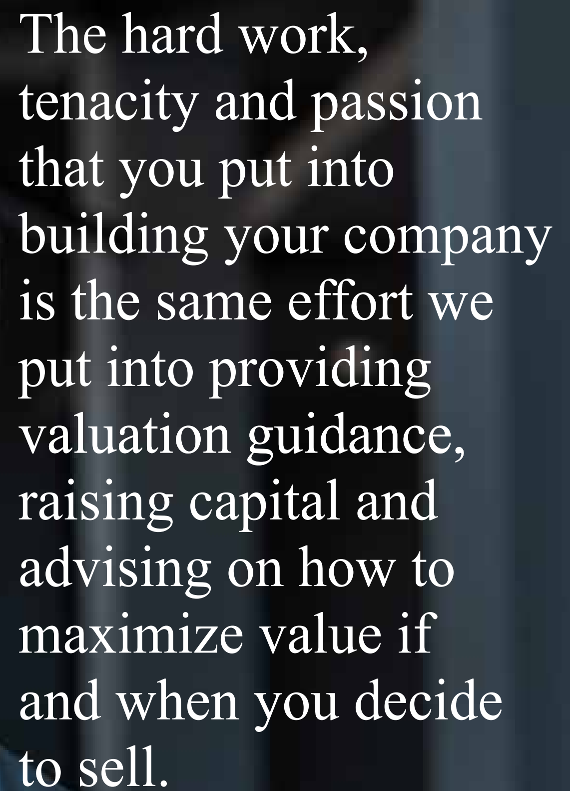

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