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### **Biden Unveils Plan to Boost EV Sales to 50% of Market by 2030**

The Biden administration on Thursday unveiled its proposal seeking to ensure that half of vehicles sold in 2030 are powered by electricity.

As part of that effort, the U.S. Environmental Protection Agency (EPA) and Department of Transportation are expected to release proposed tougher new vehicle mile standards later in the day.

The action has been long expected, and major automakers -- including Ford and General Motors -- on Thursday signaled their support for the plan.

While not mandating sales levels, an executive order by President Joe Biden sets a target of having half of all new vehicles sold by the start of next decade to be zero-emissions, including battery electric, plug-in hybrid electric, and fuel cell electric vehicles.

The White House announcement Thursday said part of Biden's plan calls for installing the first-ever national network of electric vehicle charging stations, consumer incentives for electric vehicle (EV) purchases and aid for auto makers retooling to produce EVs.

The administration is casting the push for EVs as a way to ensure the country remains competitive in the global auto market and says the 2030 target date will provide automakers time to upgrade their facilities for EV manufacturing.

The administration says its new mileage standards will undo the Trump administration's "harmful rollbacks" of Obama-era fuel efficiency and emissions standards. The announcement said the new standards will build upon a 2019 agreement between California and Ford, Honda, BMW of North America and Volkswagen Group of America that called for cars and light trucks fueled by gasoline and diesel to obtain a higher fuel-efficiency beginning with the 2022 model year and reduce greenhouse gases by 3.7% every year over a five-year period.

That agreement also supported the transition to EVs by rewarding companies that sell additional models and promote advanced technology.

The White House said the proposed new rules will reduce gasoline consumption by 200 billion gallons while cutting carbon emissions by about 2 billion metric tons. The administration announcement said the higher mileage standards will save about \$900 in fuel costs over the life of a vehicle, though it didn't address the potential vehicle price hikes from technology needed to achieve the mileage goals.

The proposal also doesn't acknowledge the size of the task facing the administration and automakers.

EV sales have accounted for only about 2% of all U.S. auto sales for the last three years, according to the Pew Research Center, with sales actually slowing. There were about 231,000 all-electric vehicles sold in this country last year, a 3.2% decrease from sales seen in 2018, according to the center. U.S. EV sales have picked up in 2021, as auto buyers returned to showrooms following the COVID-19 pandemic. The nation's EV charging network, while growing, still averages only one outlet for every 2,570 cars and trucks in the nation.

When making the announcement, the White House highlighted support for the proposal from automakers.

In a joint statement, the companies involved in the California agreement said that while they are moving forward with efforts to meet its goals, "bold action from our partners in the federal government is crucial to build consumer demand for electric vehicles and put us on track to achieve the global commitments of the Paris Climate Agreement. That includes a strong nationwide greenhouse gas emissions standard, continued investments in charging infrastructure, and broad consumer incentives for all electric vehicle purchases."

A joint statement by Ford, GM and Dutch auto maker Stellantis said shifting the American market toward electric vehicles can only be achieved by federal policies including consumer incentives, deployment of charging stations and investment in EV research and manufacturing.

John Bozella, CEO of the Alliance for Automotive Innovation industry trade group, said that the auto industry has stepped up and invested in EV technology and now it was important that government support the effort.

"With the right complementary policies in place, the auto industry is poised to accept the challenge of driving EV purchases to between 40 and 50 percent of new vehicle sales by the end of the decade. Federal and state governments -- and all stakeholders -- will need to provide significant support for consumers, infrastructure and innovation," he said. "All levels of government will need to do their part for this challenge to succeed."

Ray Curry, president of the United Auto Workers union, said that while the announcement brings certainty to the auto industry and allows for planning, the commitments by the auto makers are voluntary.

"The UAW focus is not on hard deadlines or percentages, but on preserving the wages and benefits that have been the heart and soul of the American middle class," he said.

Environmentalists also took aim at the announcement's lack of firm mandates.

"Voluntary pledges by auto companies make a New Year's weight-loss resolution look like a legally binding contract," said Dan Becker, director of the Safe Climate Transport Campaign at the Center for Biological Diversity, adding "now is not the time to propose weak standards and promise strong ones later."

--Reporting by Steve Cronin

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### **BP Says Charging Sales Surged in First Half of 2021**

BP has seen a surge in the amount of electricity it sold during the first half of the year as the company continues to expand its global electric vehicle charging network as part of its strategy to transition from its long-time focus on fossil fuels, company officials said during an earnings call Tuesday.

CEO Bernard Looney told analysts that during the first six months of 2021, BP sold 50% more kilowatt hours from charging than the company sold in all of 2020.

That increase came as the company saw a 6% expansion in its number of global charging points, the CEO said. "We talk a lot about charging points, but the real numbers that we need to focus on are not just the number of charging points but the kilowatt hours of a capacity that we have installed, and even more importantly, the kilowatt hours of electricity that we have sold," Looney said. "This is all about ultrafast charging and it's all about utilization rates."

Looney said the company now has about 11,000 EV charging points "in some of the world's busiest markets," an increase of approximately 40% compared to 2019. BP

plans to continue expanding its charging operations, with the company seeking to increase the number of EV charging points operated by its BP Pulse brand in Britain from 8,700 to more than 16,000. In June, BP Pulse opened the first rapid charging hub in the U.K. for fleet vehicles at its central London location.

Looney conceded that the move toward electrification of transportation is moving at different paces in different parts of the world, with Europe being in the forefront. He also said that despite the increase in electricity sales, the company's charging operations are still in their infancy.

"While we are growing ... we must remind ourselves always it is from an incredibly small and low base," he said.

Looney said the company will remain "incredibly disciplined" in its approach to renewable energy and said he thinks 8% to 10% returns were possible in the renewables sector.

"We think we'll get higher ... in EV charging," he said.

When asked about its retail operations in the United States, Looney said he expected the U.S. to remain the top fuel market in the world through 2040. He said that as electrification takes off in the United States, he expected it to start on the coasts before moving inland.

"Then that opportunity will happen over time there," he said. BP in July announced it was buying out joint venture partner ArcLight Capital and would take sole ownership of the Thorntons convenience store brand.

Looney told analysts that the brand -- which operates 208 stores in six states -- has attractive locations, is run well and provides a differentiated offer that works well in the areas it serves.

The decision to acquire sole ownership will allow BP to drive integration with its refining and trading operations. The company also hopes to capitalize on potential synergies

with its AMPM brand in the western United States, the CEO said.

As in other recent earnings calls, Looney defended BP's shift to renewable energy and the pace of its transition. He said companies must step up to embrace greener operations and, if successful, would compel financial markets to take notice and reward the efforts.

"I think we shouldn't expect to be rewarded overnight. It's a big change. We've got to be patient. We've got to knuckle down and focus on the basics, and that's what we're going to do," he said.

Looney's comments came as the company beat earnings expectations for the second quarter, increased its dividend by 4% and announced a \$1.4 billion buyback of shares.

The company's underlying replacement cost profit for the quarter was \$2.8 billion, compared to a loss of \$6.7 billion during Q2 2020. Operating cash flow was \$5.4 billion, compared to \$3.7 billion at the same time last year.

While the company's dividend rose to 5.46cts/share and will total 10.71cts/share for the first half of the year, it is still about 50% lower than the 15.75cts/share seen during the first half of 2020. Based on a forecast of 60/bbl for Brent crude, the company said it expects to see annual dividend increases of around 4% through 2025.

In February 2020 the company announced a goal of net zero greenhouse gas from its operations as well as oil-and-gas production by 2050 or sooner.

BP's stock price was ahead about 6.5% in the last half hour of trading Tuesday, rising \$1.56, to \$25.65/share.

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OPIS Volume and margin data chronicled a significant rebound in national sales, and some regions are still struggling to match pre-pandemic profit levels last witnessed in the 2019 summer.

OPIS calculates that the average U.S. station sold 79,653 gal during the month, or 4.2% more than in July 2020. But sales were about 12% lower than during July 2019, notwithstanding a rogue Energy Information Administration report that suggested some of the highest demand on record ahead of the July Fourth weekend.

Gross rack-to-retail gasoline margins during July averaged 29.4cts/gal, or 0.4cts/gal above what OPIS recorded in 2020 and reflecting a gross profit of 2.9cts/gal above July 2019. The implied per-station profit was \$23,418 last month, or 5.7% above the July 2020 number. The arithmetic still adds up to an amount 2.3% behind July 2019.

The diversity from market to market was exceptional.

Example: In New York state, average gasoline margins surged 16.9cts/gal compared with those of July 2020 and 17.8cts/gal compared with those of the same month in 2019. The one- and two-year comparisons represent the largest incremental gains in the country. At 48.7cts/gal, New York gas margins ranked fifth highest in the country, and only the normally high-margin West Coast states and the District of Columbia topped the Empire State. New York sales volumes rose by about 6% compared with those of July 2020, helping to bolster the year-on-year gains in profit.

Meanwhile, retail margins saw downward pressure in Rocky Mountains states, contrasting the especially wide margins seen at the refinery gate. Average gross profits in Utah, Colorado and Montana ranked 39th, 40th and 43rd in the country. In Colorado, margins averaged 23.1cts/gal during the month, a 10.6cts/gal decrease from the year before and only .07cts/gal higher than two years earlier. Only Maryland and Nevada saw larger year-over-year declines, at 12.9cts/gal and 13.2cts/gal, respectively.

The margin compression offset a notable advance in Colorado sales volumes in July with OPIS calculating a gasoline sales increase of 5.4%, putting the typical station's monthly gallonage at 96,744. Sites in the state averaged a gross return of \$22,348, or 27.7% beneath what was recorded in the low volume/high margin July 2020 during the pandemic.

On a regional basis, Northeastern retailers saw the largest percentage gain in profits among the five areas covered in OPIS' weekly report on national sales volumes.

Retailers in the region sold an average 84,251 gal during the month, an increase of 6.1% from July 2020 sales but still representative of a steep 14% deficit to July 2019. Margins in the region averaged 33.4cts/gal during the month, 2.2cts higher than those of a year earlier and up 7.8cts gain from 2019 levels, which helped make up for lost volumes. OPIS calculates that the average Northeastern retailer saw site profits of \$28,139 in profits from gasoline during the month, a 13.7% gain from last year and 12.2% greater than profits seen during July 2019.

The Southeast retained its status as a competitive hotbed. OPIS calculates typical station sales of 70,377 gal during the month, nearly 5.4% above those of 2020 but about 8% lower than pre-pandemic summer levels. Margins in the region averaged 22.4cts/gal, which was 0.9ct lower than last year and 2.2cts higher than July 2019. Stations averaged \$15,764 in gasoline profits for the month, 9.8% higher than a year ago but 16.2% below the levels in July 2019.

In the West, gasoline sales averaged 97,751 during the month with margins averaging 42.7cts/gal, providing average profits of \$41,740 per station. Gas profits during the month surged 9.8% compared with those of July 2020, when volumes were 6.2% lower and margins 1.4cts weaker. Sales in July 2019 averaged 14.6% higher than last month, but the two-year comparison was still narrow as margins two years ago were an average 5.5cts/gal lower during the month, meaning profits were less than 2% higher than this year.

In the Southwest, gasoline sales during July averaged 78,417 gal per station, an 8% increase from a year ago but 10% lower than 2019 sales. Margins last month averaged 21.2cts/gal, putting them 0.3ct higher than July 2020 and 1.1cts above July 2019. Retailers in the region made an average \$16,624 from gasoline during the month, a 9.5% year-over-year increase but 5.1% lower than profits of July 2019.

Retailers in the midcontinent region saw gasoline sales average 74,307 gal during the month, a gain of 1.7% from the number in July 2020, but more than 11% lower than July 2019. In the Midwest, which OPIS defines as the Dakotas, Minnesota, Iowa, Missouri, Arkansas, Kansas and Nebraska, as margins averaged 27.9cts/gal, 1.6cts lower than July 2020's level but a hefty 5cts/gal over July 2019. Profits for Midwestern retailers averaged \$20,732 during the month, 7.9% higher than a year earlier but a 24.6% deficit when compared to the same month in 2019.

While August is less than a third completed, it reflects a varied topography for retailers. Nationwide margins in the first nine days have averaged 29.8cts/gal, or 2cts beneath the identical period last year. The nine days find only 13 states with year-on-year margin increases, and only one -- New York -- seen gains of over 10cts/gal.

The margin outlook should improve in coming days. The price of front-month RBOB futures have fallen 5.5% since the start of the month, giving retailers some room to boost their rack-to-retail return.

It remains to be seen, however, if volumes will provide an even greater boost than seen in July. It is not unusual to see August demand exceed that of July (that has been the case from 2016 to 2020), but anecdotal reports suggest a bit of a midsummer stall in week-on-week increases. Rising COVID-19 case counts in Southern geography where school terms soon start represent an ongoing concern.

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### **Ruling Lets Pennsylvania Renege on Grants for Two CNG Stations**

Wisconsin-based U.S. Venture lost a four-year-old legal battle to obtain about \$1.2 million in state grants under Pennsylvania's Alternative and Clean Energy Program (ACE) to help it add compressed natural gas (CNG) fuel pumps to two existing fueling stations in Pennsylvania.

In a July 21 ruling, the Pennsylvania Supreme Court upheld a lower court decision finding the state was immune from legal claims in this case and an administrative board lacked jurisdiction in the matter.

In the proceedings, U.S. Venture said that favoring the Commonwealth could hinder future investment in Pennsylvania's energy infrastructure.

"Affirming the Commonwealth Court means that the Commonwealth can breach these contracts with impunity," the company argued in the case. "The Commonwealth executed two written contracts requiring it to pay over \$1 million to promote the use of clean burning fuels, which it presumably desires to do in more locations than the two stations at issue. If the Commonwealth can disregard its agreements without any consequences, (U.S.) Venture predicts that vendors like it will stay away from the Commonwealth and invest money elsewhere."

In 2014, U.S. Venture applied for two separate ACE grants through a state website, according to the high court's account on the case. The applications said that replacing diesel vehicles with CNG vehicles could significantly reduce pollution, and for fleets to convert to CNG, "a reliable nationwide refueling infrastructure must be in place." GAIN Clean Fuel, a division of U.S. Venture, partnered with other firms to install the dispensers.

Later in 2014, the Commonwealth Financing Agency (CFA) sent U.S. Venture two funding commitment letters approving grants for \$643,389 and \$547,047 for the "construction" of two CNG stations. However, when the company finished the projects in 2017 and tried to collect the funds, it was rebuffed by the agency "based on how (U.S. Venture) structured the construction and financing of the project."

The CFA explained that the funds were for construction costs. U.S. Venture leased the CNG equipment, rather than constructing stations, and the money could not be used to make lease payments. The agency also said U.S. Venture failed to use a competitive bidding process to select its own contractor, violating its agreements with the state.

U.S. Venture challenged the CFA before the Pennsylvania Board of Claims. The board noted that while the CNG pumps were accessible to the public, the dispensers were on private property, and it said grants should be used for construction of public property under government control.

The Commonwealth Court agreed with the board, that in projects involving public expenditures the term "public" does not simply apply to facilities offering "public access." The court also concluded that the Commonwealth had "sovereign immunity" -- meaning it could not be held liable in the case -- and that the matter was outside the board's jurisdiction.

--Reporting by Donna Harris

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### **Outdoor EMV Liability Shift Begins to Add Up for C-stores**

After several delays, the EMV liability shift at the pump finally occurred in April and now, convenience and fuel retailers who are behind in upgrading their forecourts are starting to feel the pinch.

As of the April 2021 deadline, any card fraud detected at automated fueling dispensers now falls to the responsibility of the retailer if EMV technology has not been implemented on their forecourt. Retailers feel the fraud in the form of chargebacks, according to Joshua Pynn, strategic insights consultant at CMSPI, an independent payments consultancy.

Chargebacks are when a fraudulent transaction, or an error in the reporting of the transaction, occurs and the consumer disputes the charge. If fraud is detected, the retailer is now responsible to pay for it, Pynn explained during a recent webinar hosted by industry technology organization Conexus and sponsored by Invenco.

Based in Alexandria, Conexus is a nonprofit, member-driven technology organization dedicated to the development and implementation of standards, technologies innovation and advocacy for the convenience store and petroleum market.

A CMSPI analysis found that chargebacks have tripled since January 2021.

"If you look at January as the baseline month, May is almost triple of what January was in terms of overall chargebacks. There was a pretty substantial increase of about 50 percent in April, and that really ballooned in May," Pynn said, explaining that chargebacks are often delayed because it takes some time for the consumer to realize the fraud and file a report. "The feedback loop takes some time."

EMV liability shifts are not new to the convenience and fuel retailing industry. The in-store EMV deadline occurred in 2015; however, the shift for at-the-pump transactions was pushed back multiple times to April 2021. While the most recent delay was driven by the COVID-19 pandemic, Pynn pointed out that becoming compliant at the pump is a more difficult undertaking than becoming compliant in the store.

"Chargebacks have not only grown in volume, but they have grown in value. The average value of every chargeback hovered somewhere around \$50 before April. Then, in April and May, they grew to over \$70. That's an almost 40-percent increase," he noted.

This increase could be happening for several reasons, according to Pynn: chargebacks will be happening more now at the pump, and pump transactions have a higher transaction value than in-store; and gas prices have been higher in recent months.

"This is a significant issue for many different merchants in the industry, both large and small, on their way to becoming fully compliant," he said.

In addition, he said the data suggests that EMV is the culprit for the rises in both volume and value in chargebacks. Each chargeback comes with a code that identifies what type of chargeback it is. In May 2021, almost 60 percent of chargebacks were specifically attributed to EMV. Previously, that number ranged between 5 percent and 8 percent, before reaching 20 percent in April.

"We would expect this to continue into June, July and August until the entire industry becomes more and more compliant," Pynn said. "It's becoming a pretty significant issue if you are looking at chargebacks, but also just in

general as it has doubled the effect of fraud as a percentage of revenue from March to May."

### ***Moving Toward EMV Compliance***

As the industry is starting to see the effect of those operators who have not yet made the transition in the EMV journey, there are several options for retailers looking to solve the outdoor EMV compliance issue, according to Dan Harrell, chief innovation officer at Invenco, a global provider of self-service payment solutions.

Retailers can buy a new EMV-ready pump from a pump manufacturer, buy a new pump without EMV technology and retrofit it, or buy a retrofit kit for their existing pumps.

When weighing their options, Harrell said retailers need to consider the upfront cost of purchasing the equipment; ongoing maintenance costs; and additional benefits from buying a new pump, such as an image upgrade.

To get started, Harrell advises retailers to:

- Understand their equipment and take inventory of what they have;
- Determine their goals from the EMV investment;
- Choose a solution that aligns with their strategy; and
- Work with equipment providers and installers to set an upgrade date.

As retailers transition, they can make other choices that are good for their customers and customer engagement. This includes adding things like contactless payments and new types of media options — things that may drive business, he said.

### **Proposed Legislation Targets E-Cigarette Companies in Fight Against Underage Use**

A new federal bill, which has support from both sides of the political aisle, proposes that electronic cigarette and vapor manufacturers pay user fees to the Food and Drug Administration (FDA).

Under The Resources to Prevent Youth Vaping Act, the money would help fund the FDA's oversight of the vapor industry and increase awareness around the products, according to U.S. Sen. Jeanne Shaheen (D-N.H.).

Shaheen joined with Sens. Lisa Murkowski (R-Alaska), Richard Durbin (D-Ill.), Susan Collins (R-Maine), Tammy Baldwin (D-Wis.) and Mitt Romney (R-Utah) cosponsored the bill.

Companion legislation will be introduced in the U.S. House of Representatives by Reps. Cheri Bustos (D-Ill.) and Brian Fitzpatrick (R-Pa.).

"New Hampshire is acutely experiencing the youth vaping crisis — and has one of the nation's highest rates of e-cigarette use among high school students. It's outrageous that e-cigarette manufacturers are directly marketing their harmful products to young people with no consequences," Shaheen said. "That's why I'm leading bipartisan legislation to respond to this crisis by holding these companies accountable and closing a loophole that allowed them to avoid paying fees to the FDA to help fund the agency's crackdown on youth vaping."

## Mastercard Says It Will Stop Issuing Cards With Magnetic Stripes

Four months after requiring fuel retailers to accept chip cards at gas station islands, Mastercard has announced it plans to phase out use of magnetic stripes on its credit and debit cards.

In a blog post this week, the credit card company said that starting in 2024 newly-issued Mastercard credit and debit cards in most markets will not be required to have a stripe. Starting in 2027, U.S. banks will no longer be required to issue chip cards with a magnetic stripe. The company said that by 2029, no new Mastercard credit or debit cards will be issued with a magnetic stripe and by 2033 none of those cards will have magnetic stripes. Prepaid cards in the U.S. and Canada are currently exempt from the change, Mastercard said.

The blog post said the timeline "leaves a long runway for the remaining partners who still rely on the technology to phase in chip card processing." With the announcement, Mastercard has become the first credit card issuer to ditch the magnetic stripe in favor of more-secure types of authentication.

U.S. retailers of all types, including gas stations, had to meet Europay Mastercard Visa (EMV) technology standards for chip cards at indoor int-of-sale terminals in 2015, and only a small percentage of stations are not accepting chip cards inside, according to industry observers. This year, credit card companies shifted counterfeit fraud liability to fuel retailers who did not meet a mid-April deadline for complying with the EMV standards at the pump.

Chip cards are seen as being harder to counterfeit than magnetic stripes, a technology that has been in use since the early 1960s, the Mastercard blog said.

"But now the magnetic stripe is reaching its expiration date," the company blog said.

Chips provide extra security by generating a unique code for every transaction, which is then validated by the issuing bank.

Doing away with magnetic stripes is not only more secure, but is also in keeping with changing consumer habits, Mastercard said. Many chip cards now allow contactless transactions while biometric cards combine fingerprints with chips to verify a cardholder's identity - providing another layer of security, Mastercard said.

The credit card company said transactions using the magnetic stripe have been declining since the late 1990s, with 86% of face-to-face card transactions now using the chip technology.

Mastercard said its consumer research shows more than half of Americans prefer using the chip during transactions over other methods, with security being the driving factor, while 11% said they still preferred using the magnetic swipe.

The company said 81% of American cardholders surveyed said they'd be comfortable using a card without a stripe.

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### **White House Asks FTC to Monitor Gasoline Markets, Look for Illegal Conduct**

The White House earlier today sent a letter on Wednesday to the Federal Trade Commission (FTC) asking the anti-trust watchdog to monitor the U.S. fuel market as retail gasoline prices have been at multi-year highs this summer.

National Economic Council Director Brian Deese asked the FTC to use any and all available tools at its disposal to address any illegal conduct that would be causing prices to rise at the pump.

On Sunday, August 9th, the national average for retail gasoline in the U.S. stood at \$3.1902/gal, according to AAA, the highest price since October 13<sup>th</sup> 2014.

In the letter, Deese questions the difference between oil prices and retail gasoline movements.

"During this summer driving season, there have been divergences between oil prices and the cost of gasoline at the pump. While many factors can affect gas prices, the President wants to ensure that consumers are not paying more for gas because of anti-competitive or other illegal practices," said Deese in the letter to the FTC.

The request from the White House also cites an October 2014 government study, the last time the national average was at similar levels, that the FTC can use to understand price movements between gasoline and crude oil. The study from the Regional Economist, Federal Reserve Bank of St. Louis titled, "Rockets and Feathers; Why Don't Gasoline Prices Always Move in Sync with Oil Prices?". Among the tools the FTC can use to find any illegal non-competitive practices is price monitoring tools, review of merger and acquisition activity, conduct market studies and investigate market manipulation, the letter stated.

Crude oil and refined products traded lower this morning after the letter was disclosed along with another White House request urging OPEC+ to increase production. All those price declines have been erased with the market shooting higher a little less than an hour ahead of settlement.

RBOB was leading the market lower in early trading but is now the leader to the upside with the September contract up 2.95cts at \$2.2974/gal by 1:50 PM ET. The increase in ULSD prices are just inside of 2.5cts trading at \$2.1045/gal. WTI for September most recently has been trading in and around plus \$1 at \$69.29/bbl and October Brent was most recently trading at \$71.45/bbl an 82cts increase.

Reporting by Denton Cinquegrana,

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### **EIA Does Not See US Gasoline Demand Exceeding 2019 Levels in 2021 or 2022**

In the Short-Term Energy Outlook (STEO) released earlier today, the U.S. Energy Information Administration

acknowledged strength in U.S. gasoline demand recovery but does not expect 2021 consumption levels to surpass 2019.

During the first half of the year, EIA said gasoline consumption averaged 8.5 million b/d, which represented the lowest first half of a year since 2001.

According to the STEO, first-quarter gasoline demand averaged just over 8 million b/d and 9 million b/d in the second quarter.

Meanwhile, according to OPIS demand data based on same-store sales at some 25,000 retail outlets throughout the country, first-quarter demand was 7.1 million b/d and on the second quarter jumped to 7.935 million b/d.

Retail gasoline prices have been on the rise in 2021, and the government expects an annual average of \$2.85/gal for gasoline in the U.S. This month, EIA expects retail gasoline prices to average \$3.11/gal as increased refinery output and lower oil prices should start to erode prices. By December, EIA expects a retail gasoline price average of \$2.76/gal.

On the other hand, distillate demand did not take as hard a hit in 2020 as gasoline and jet fuel did, EIA said. The government estimates distillate demand in June 2021 to be 70,000 b/d stronger than 2019. While the first half of 2021 did see consumption fall 200,00 b/d shy of the 2019 first-half average of 4.2 million b/d, EIA expects distillate demand to average 4.2 million b/d in the fourth quarter of 2021, which would exceed 2019 levels. A forecast 2022 consumption average of 4.3 million b/d for distillates would represent an all-time annual high.

EIA expects retail diesel prices to average \$3.16/gal this year and \$3.09/gal next year. "We expect that global economic activity returning to pre-pandemic levels will help drive diesel refinery margins higher during the forecast period than their multi-year lows in 2020," the STEO said.

--Reporting by Denton Cinquegrana,

### **Petroleum Futures Plunge: Rally or Else Time in Frenetic Monday Session**

Petroleum futures are getting pummeled in Monday trading, and most observers believe the losses are tied to fears about the spreading coronavirus delta variant as well as collateral damage from stock indices that are also in freefall. The OPEC+ decision is getting some blame from casual observers, but the compromise was within expectations and is not the major driver for today's losses.

Incredibly, petroleum futures are now either threatening or dropping below numbers that are regarded as "rally or else" levels among technical experts. The "or else" is essentially a viewpoint that multiyear highs are long gone for 2021.

*Examples:*

--On West Texas Intermediate, trades as low as \$67.40/bbl have been transacted in August, a far cry from the \$76.07/bbl high number done earlier this summer. Top technical analyst Walter Zimmerman cites \$68.55/bbl as a "must hold" level and sees another support level of around \$65.35/bbl. Brent has already seen trades in September as

low as \$67.40/bbl, and the bullish case for Brent falls apart if \$63.25/bbl is porous. Previous support between \$69.65/bbl to \$71/bbl has given way in a cascade of technical selling.

--RBOB traded for as little as \$2.1320/gal in August, putting it more than a penny below key support at \$2.1435/gal. This product can be impacted by tropical weather in July and August, but the Atlantic Basin is eerily quiet at the moment and imports are still outpacing exports, sources say.

--Diesel represents the last member of the key contracts under technical assault. Prices scraped as low as \$2.0056/gal earlier this morning, about 20cts/gal beneath numbers seen two weeks ago. The most significant support level was \$2.0485/gal, and moving back above that price would take a considerable comeback Monday.

As 11 a.m. EDT approached, markets were under assault and approaching new lows. WTI was barely above the \$67.15/bbl intraday low at \$67.19/bbl, reflecting a \$4.62/bbl drop. Brent for September slipped to \$69.50/bbl, a \$4.09/bbl loss on the day. RBOB was showing 12cts/gal losses at \$2.1375/gal and ULSD was down 10.54cts/gal to \$2.0079/gal.

Refiners were among the biggest losers in share prices on the New York Stock Exchange, with overall losses in the Dow Jones Industrial Average of more than 800 points.

--Reporting by Tom Kloza

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### **NYS Legislative, Regulatory Update**

#### *Shorter Lottery Payment Cycle*

New York Lottery notified retailers that it is postponing until Oct. 3 the shortened payment cycle for instant tickets that was supposed to begin July 1. No reason was given. Also delayed until Oct. 3 was the new "Settled Confirmed" policy that would automatically settle any books that had been in confirmed status for more than 60 days.

The New York Association of Convenience Stores (NYACS) argued against the shorter payment cycle because it would squeeze the cash flow of lottery retailers, hindering their recovery from the pandemic, it said.

In response, New York Lottery modified its original plan to reduce everyone's payment cycle for instant tickets from 45 days to 28 days. It decided on a two-tier structure under which lower-volume stores would be reduced to 42 days and higher-volume outlets 28 days. NYACS continues to oppose any shortening of the payment cycle

#### *Hero Act Plan Adoption Deadline*

The state Department of Labor published standards and templates for employers to use in adopting plans for preventing the spread of infectious airborne diseases as required by the NY Hero Act enacted by the state legislature last spring. It requires employers of all sizes to adopt, by Aug. 5, a written plan of action to be activated if and when an airborne infectious disease is designated by the state Commissioner of Health as a "highly contagious communicable disease that presents a serious risk of harm to



the public health." No such designation is in effect right now.

Employers have 30 days after adoption to communicate the plan to their employees. The deadline is Sept. 4.

#### *Proposed Cigar Tax Relief*

Assembly Member Carrie Woerner and Senator Jessica Ramos introduced legislation that would cap the state excise tax on cigars at 50 cents per stick. Currently the tax is 75 percent of wholesale value, as the state eliminated the lower 28.5 percent rate for most cigars last year. The new bill would reset the rate at either 75 percent of wholesale value or 50 cents per item, whichever is less.

"Recent tax increases on cigars and premium cigars in New York has driven the sale of these products to neighboring states where tax rates are much lower," the sponsors said in a memo accompanying the bill. "Capping the premium cigar tax rate at 50 cents per item would discourage buyers from buying online as well as strengthen sales within the state."

The bill can't be acted on until the Legislature returns to session in January 2022. The National Association of Convenience Stores (NACS) today said that procuring products was a "major challenge" for c-stores in the second quarter, with the implication that the troubles could continue into the second half of the year.

Separately but related, OPIS has confirmed that the summer scramble for drivers to deliver the 50,000 or so transport trucks handling fuel is "not getting any easier" according to chain marketers.

#### **Supply Constraints Suppress US Freight Business: Study**

Supply chain issues, as well as the truck driver shortage, have reduced freight volumes over the summer, according to the latest data from the American Trucking Associations.

ATA's advanced seasonally adjusted For-Hire Tonnage Index declined 1.2% in July after falling 2% in June. In July, the index was 109.8 (the base year 2015=100), compared with 111.1 in June. ATA said June's reading was revised down from its July 20 announcement.

Year over year, the July SA index fell 2.9%, the first year-over-year drop since March. In June, the index was flat from a year earlier. Year-to-date, compared with the same seven months in 2020, tonnage is down 0.2%.

"Softness in tonnage over the last few months is due more to supply constraints, rather than a big drop in freight volumes," ATA Chief Economist Bob Costello said in an announcement of the data. "Not only are there broader supply chain issues, like semiconductors, holding tonnage back, but there are also industry-specific difficulties, including the driver shortage and lack of equipment. For-hire truckload carriers are operating fewer trucks than a year earlier. It is difficult to haul significantly more freight with fewer trucks and drivers.

"In addition to these supply issues, retail sales and housing starts -- largedivers of truck freight -- retreated in July, although both rose on a year-over-year basis," he said.

The index that is not seasonally adjusted was 111.9 in July, which is 3.2% lower than the June level of 115.6, ATA said. In calculating the index, 100 represents 2015. ATA said the For-Hire Truck Tonnage Index is dominated by contract freight, versus spot market freight.

Trucking represents 72.5% of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods, ATA said. Trucks hauled 11.84 billion tons of freight in 2019, and motor carriers collected \$791.7 billion, or 80.4% of total revenue earned across transport modes.

ATA said the tonnage index is based on membership surveys that have been conducted since the 1970s. The index is a preliminary figure and subject to change in the final report issued around the fifth day of each month, the trade group said.

--Reporting by Donna Harris,

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#### **Record Retrieval**

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***Please contact:***

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