

Checklist for Flex Fuel Pump Favorability

With the current state of the gasoline and retail industry in the United States, many factors go into determining the success of capital investments by retailers. Gross margins, fuel volumes, traffic patterns all contribute to successful fueling stations.

- ✓ **ROBUST LOCAL COMPETITION FOR GASOLINE CUSTOMERS IS CREATING A NEED TO DIFFERENTIATE:** Gas stations currently spend a lot of money differentiating themselves, and adding mid-level ethanol blends as a fuel can distinguish a gasoline station as being more affordable, green, cutting-edge, and patriotic. Even a small increase in non-fuel in-store sales can turn a small Flex Fuel Pump project into a profitable experience. Flex Fuel Pumps enable retailers to offer even more competitively priced fuels that attract more customers.
- ✓ **LARGE POTENTIAL THROUGHPUT OF ETHANOL:** The most important indicator of profitability for any Flex Fuel Blender equipment configuration is throughput. With more than 16 million Flex Fuel Vehicles on the road today and a strong bias among these vehicles to be large SUV type vehicles, potential market throughput is growing. Retailers can assess their likelihood of success from the strength of fleet partnerships, ethanol blend price relative to that of gasoline, customer awareness, and location. Growth Energy, local Clean Cities coalitions and state departments of motor vehicles can help identify potential fleet partners and FFV populations.
- ✓ **HAVE MID-GRADE TANK OR EXTRA REGULAR UNLEADED TANK THAT CAN BE CONVERTED:** The most profitable Flex Fuel Pump investments are those where the station converts one of its mid-grade or regular unleaded tanks to E85. This scenario has the lowest equipment costs and no opportunity cost because mid-grade can still be offered through a blending valve. Replacing a regular unleaded tank represents a similar scenario if the station has excess capacity and can still offer regular gasoline from other tanks.
- ✓ **POTENTIAL ACCESS TO LOWER-COST ETHANOL:** Wholesale ethanol prices that are substantially less than gasoline and enable retailers to earn a higher gross margin from ethanol sales. This price can vary greatly by blender, and tends to be lowest with regional blenders (as opposed to nationwide companies), blenders with multiple sources for ethanol, and ethanol distilleries that are licensed as blenders.
- ✓ **HAVE LOW AND DECLINING SALES OF PREMIUM GRADES, DIESEL, OR KEROSENE:** This condition means two things: First, E85 could be a better selling item and increase overall trips to the station. This could increase sales of the high-margin convenience store items. Second, if premium, diesel, or kerosene sales are low enough, replacing them with ethanol could be a profitable investment.

GETTING STARTED

Growth Energy is focused on making ethanol a success for you. To get started, please contact us at marketdevelopment@growthenergy.org.

