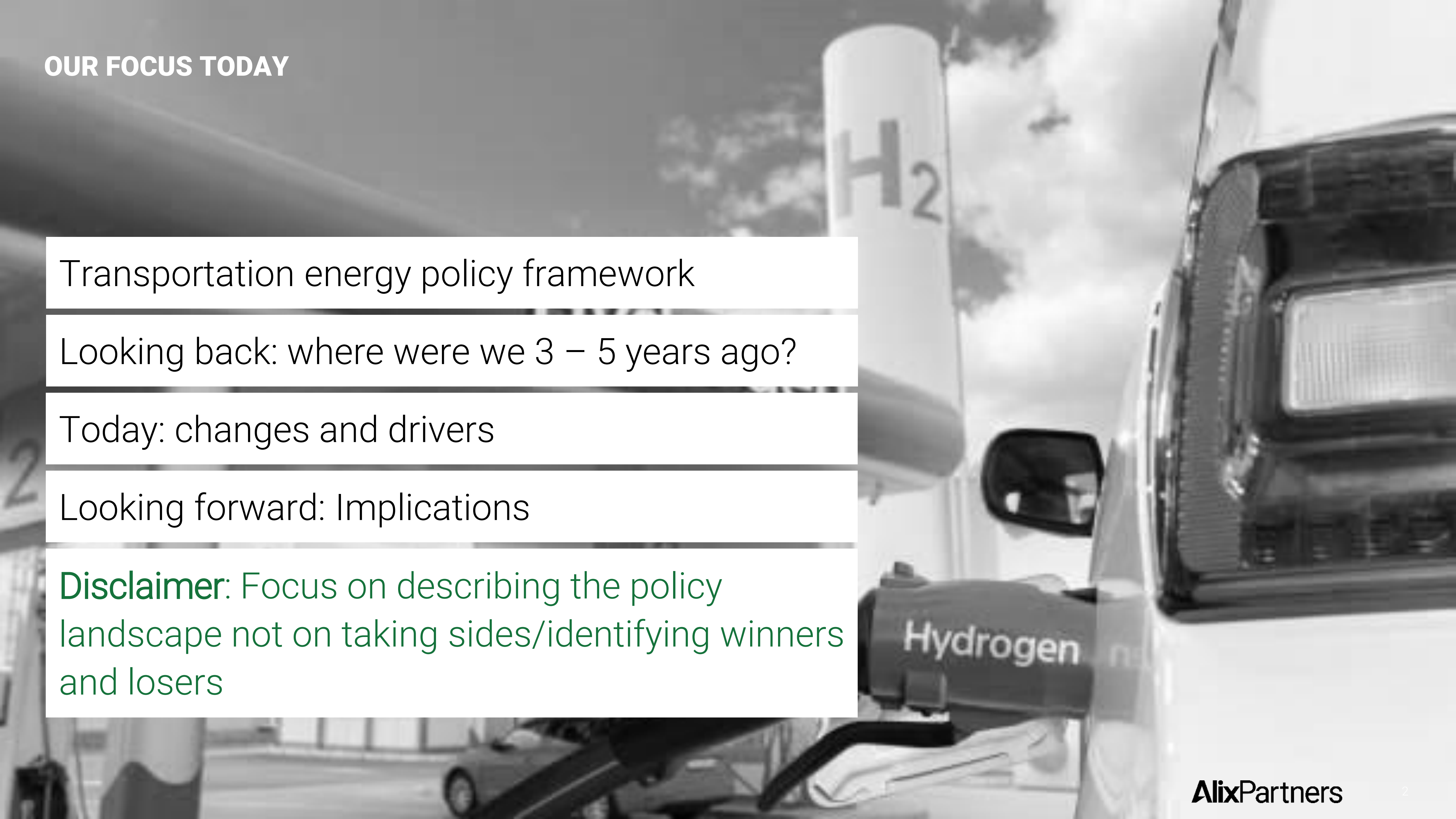
WHAT'S BEHIND POLICY SHIFTS?

AlixPartners

MAY 2025



OUR FOCUS TODAY

Transportation energy policy framework

Looking back: where were we 3 – 5 years ago?

Today: changes and drivers

Looking forward: Implications

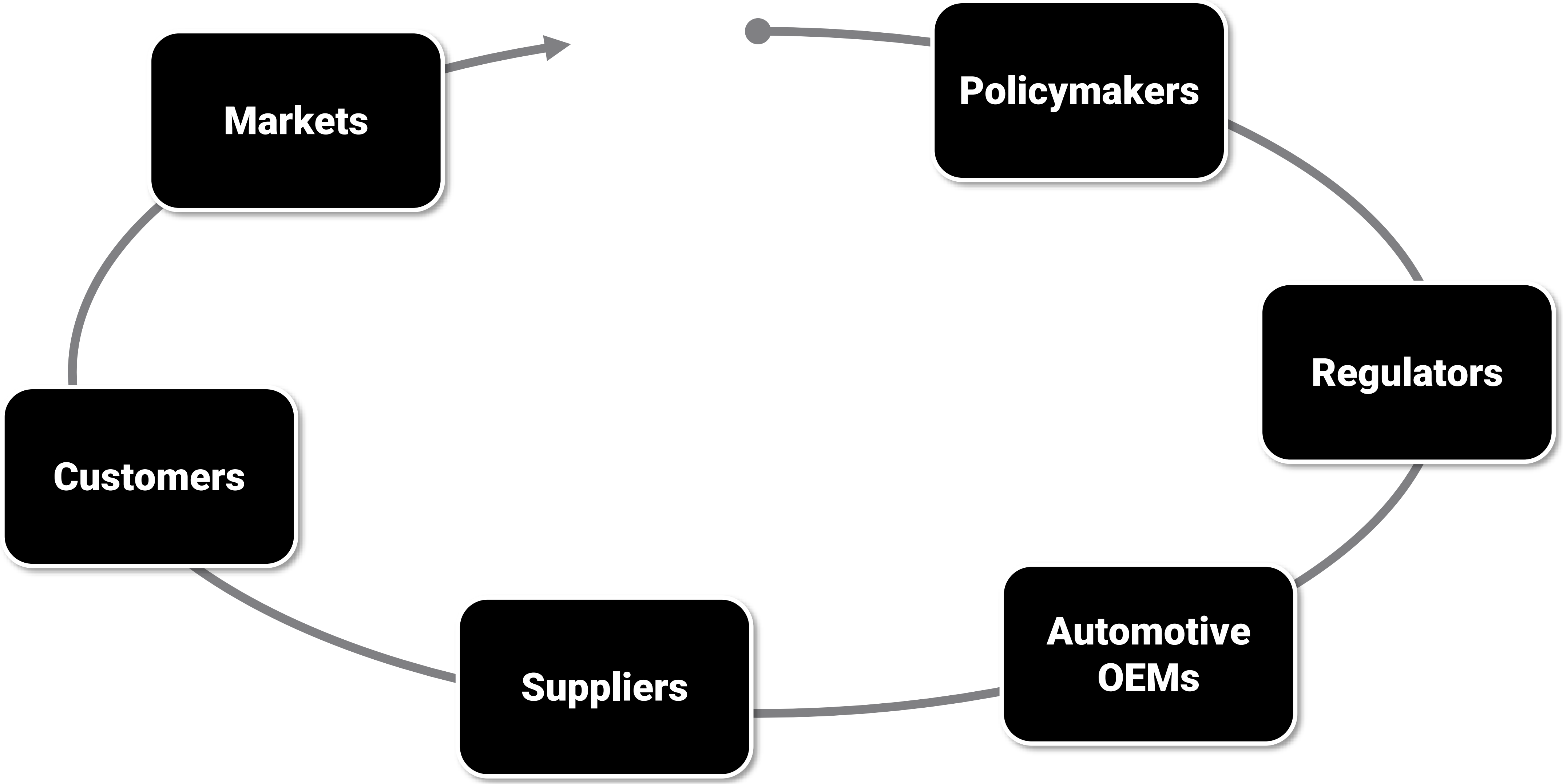
Disclaimer: Focus on describing the policy landscape not on taking sides/identifying winners and losers

RECENT U.S. POLICY SHIFTS: SHOCKWAVE OF SIGNIFICANT CHANGES

	2020 - 2024	Today/Near Future
RENEWABLES	• Renewable fuels standards adjusted to reward lower carbon • LCFS in more states (WA/OR)	• No action to date but Congress beginning to debate standards and States' ability to set regulations
EVs	• Soft EV targets with supporting CAFE and GHG standards • EV subsidies • Federal and state fleet ZEV conversion	• Standards frozen or rescinded • Subsidies paused; Cuts to most EV subsidies in current spending bill • Federal fleet mandate eliminated
R&D & INFRASTRUCTURE	• EV infrastructure subsidies • Funded EV battery and hydrogen fuelling research	• Funding frozen and new grants suspended pending full review of priorities

What is driving this swing? Is it more than just a change in which party is in power?

SETTING THE STAGE: WHO IS INVOLVED?



AlixPartners

SETTING THE STAGE: TYPES OF POLICIES

1. **Subsidies & Incentives for Low-Carbon Vehicles**: Reduce the cost gap between conventional and alternative vehicles, primarily reducing cost of electric vehicles
2. **Regulatory Mandates & Enforcements**: Require technological shifts through legally binding performance standards. This includes emission targets
3. **Taxes and Disincentives for Fossil Fuels**: Encourage the use of cleaner fuels and energy sources through restrictions on fossil fuels on the supply side (blend mandates) and pricing (end-customer taxes)
4. **Infrastructure and R&D Support**: Provide funding to expand clean transportation infrastructure (chargers, hydrogen stations) and to develop clean transportation technologies
5. **Government Procurement & Public Transit Policies**: Direct government purchasing to promote clean transportation technologies
6. **International Trade Policies**: Influence energy transportation through trade rules and global supply chains

POLICY STARTING POINT: GERMANY'S POLICY FOCUS 2020 - 24

	Policy Type	Germany
1	Subsidies & incentives	
2	Regulatory mandates & enforcements	
3	Taxes and disincentives	
4	Infrastructure and R&D support	
5	Government procurement & public transit	
6	International trade	

- Focused on meeting the EU's transportation emissions goals (zero by 2035)
- EU emissions targets for new cars
- GHG Reduction Quota + taxes to mandate change
- Burden falls on the fuel suppliers and vehicle OEMs

No Focus Some Focus High Focus

POLICY STARTING POINT: CANADA'S POLICY FOCUS 2020 - 24

	Policy Type	Canada
1	Subsidies & incentives	High Focus
2	Regulatory mandates & enforcements	High Focus
3	Taxes and disincentives	High Focus
4	Infrastructure and R&D support	High Focus
5	Government procurement & public transit	High Focus
6	International trade	Some Focus

- Initiatives and laws that cover the policy spectrum
- Both incentives to use EVs + a carbon tax[1]
- Mandate new car mix to 100% EVs by 2035; phased over time

No Focus | Some Focus | High Focus

1. Modifications to consumer carbon tax detailed on following pages on Change Drivers.

POLICY STARTING POINT: BRAZIL'S POLICY FOCUS 2020 - 24

	Policy Type	Brazil
1	Subsidies & incentives	
2	Regulatory mandates & enforcements	
3	Taxes and disincentives	
4	Infrastructure and R&D support	
5	Government procurement & public transit	
6	International trade	

No Focus   Some Focus   High Focus

- Limited agenda – focus on country's strength: the production, use and export of bio-fuels
- No carbon-based taxes or explicit zero carbon mandates
- Utilize bio-fuel standards and mandates similar to USA. Heavy use of bio-diesel as well as ethanol

POLICY STARTING POINT: USA'S POLICY FOCUS 2020 - 24

	Policy Type	USA
1	Subsidies & incentives	
2	Regulatory mandates & enforcements	
3	Taxes and disincentives	
4	Infrastructure and R&D support	
5	Government procurement & public transit	
6	International trade	

- Broad agenda focused on transitioning from ICE to EVs
- Mix of legislation (incentives and investments) and executive orders (stringent indirect standards)
- Standards would require 67% of new light vehicles to be EVs
- No carbon taxes at the Federal level

No Focus | Some Focus | High Focus

AlixPartners

POLICY STARTING POINT: FOUR DIFFERENT APPROACHES

	Policy Type	Germany	Canada	Brazil	USA
1	Subsidies & incentives	No Focus	High Focus	Some Focus	High Focus
2	Regulatory mandates & enforcements	High Focus	High Focus	No Focus	High Focus
3	Taxes and disincentives	High Focus	High Focus	Some Focus	Some Focus
4	Infrastructure and R&D support	Some Focus	High Focus	Some Focus	High Focus
5	Government procurement & public transit	Some Focus	High Focus	No Focus	High Focus
6	International trade	Some Focus	Some Focus	Some Focus	Some Focus

No Focus | Some Focus | High Focus

AlixPartners

CHANGE DRIVERS: CONSUMERS WORRY ABOUT COSTS

Low carbon policies cost more	• California average price per gallon has averaged $1.20 more per gallon; $1.58 vs Texas
EVs still have a price premium	• BEV v ICE price gap has dropped significantly, but BEVs were still 15% higher cost in 2024 – TCO is different, but consumers often not driving purchase decisions on TCO
Renewable electricity is expensive	• Europe has made significant gains in renewable electricity. This has come at a cost. Prices are 2X those in New York and over 3X Texas

Most consumers have a limited budget and have already been hit by inflation

CHANGE DRIVERS: OEMS LOOKING TO REVERSE STATE MANDATES

EV sales have slumped	• EV sales fell in April despite the overall USA market growing robustly • California had estimated 35% share; actual has been flat at 20% • Consumer interest has not grown (static at 15 – 20%) over the past 4 years
Pace has slowed	• While investment continues, manufacturers have fallen far below their original targets for models and EVs sold • Expectations for 2030 EV share of new cars have fallen 15 basis points in the last three years
Pushing for legislation	• GM and other OEMs are supporting a reversal of state-level EV mandates (12 states have a ban of new ICE vehicles in 2035). The focus now is on both EVs and ICE vehicles providing consumers with choice

EV sales may have hit a natural plateau until price parity is achieved

CHANGE DRIVERS: LOWER CARBON SUPPLIERS/MARKETS ARE STRUGGLING

Two CA refineries closing

- Claim they can't afford to invest given state requirements and regulations
- Represents 20% of the states refining capacity
- Street price impact estimated to be 60 – 75% higher than today ($7.50 - $8.00 per gallon)

RD producers are struggling

- 65% of California's diesel consumption in 2024 was renewable diesel. The LCFS credit has worked
- However, the market is now quite long, prices have dropped, and most producers are struggling to turn a profit

The market impact of low carbon regulations is significant

REACTION: GOVERNMENTS HAVE REACTED DIFFERENTLY

Germany
"Double Down"

- Passed Climate Action Law in early 2025
- Stronger and more clear mandates and pathways for implementation
- New coalition government appears to be largely in support of the passed laws and plans

Brazil
"Status Quo"

- New party has now been in power three years
- No significant shifts in policy or direction around EV and zero carbon transportation
- Focus still on biofuels

Canada
"Key Concession"

- Before the election, the Liberal party dropped the Federal Fuel Charge (~67 cpg) for consumers
- Party unexpectedly retained control
- Rest of the incentives and mandates remain

USA
"Complete 180"

- Almost all of the 2020 – 24 agenda is being reversed or scrapped
- Executive orders via executive orders; laws and associated programs via pauses and pending legislation

IMPLICATIONS: POLICY IMPACTS

- **Mandates most effectively meet stated goals, but they leave the market/customers with no choice**
- **All policies are expensive. Taxpayers fund subsidies. Customers pay for mandates.**
- **Market based blending requirements (e.g. RINs) can create boom and bust cycles**
- **Infrastructure and R&D Support can end up picking winners and losers**
- **Executive orders can be quickly reversed. Laws are more sustainable.**

IMPLICATIONS: OVERALL

- **Transition in the USA will be slower than expected, and it will be regionalized**
- **Change in power will continue to mean a change in policies, especially those created by EO. Don't be surprised by this and plan for it**
- **Fundamentals matter so do not overlook key drivers like affordability, consumer preferences, and supply and demand dynamics**
- **Consumers' opinions matters, even when they are only indifferent. They are both customers and voters**
- **Transition will speed up as renewables achieve price parity. It is NOT clear when this will happen, but we are getting close in some areas**

Eric Nelsen

rnelsen@alixpartners.com
(M) +1 847 922 8216

During his over thirty-five years in consulting, Eric has specialized in helping downstream oil and gas businesses efficiently grow their value. His work includes gas stations, convenience stores, wholesale fuels, distribution and logistics, and commercial sales. He brings deep and practical experience to issues facing both B2B and consumer businesses. His work focuses on strategy development, M&A/business development, operations, go-to-market effectiveness and efficiencies, network and channel management, network, site and store operations, and effective implementation. He has worked extensively in the Americas, Europe, Asia, Australia and Africa.

Eric received a MBA from Stanford University, where he graduated with distinction as an Arjay Miller Scholar and was named scholar of the year by the Marketing Faculty.

Relevant experience

- For an IOC, developed a fuel supply and demand forecasting model and identified how product flowed through the supply chain and at what volume and margins for each step in that chain
- For a private equity company, developed a retailer financial and operational model to assess the health of their networks. Model included detailed P&L, cash flow, and investments and the impact of different levels of proficiency in site and above site operations.
- For an IOC, developed a perspective on the growth of alternative fuels for trucking fleets, airlines, and light-duty/personal vehicles. This included conversion rates, candidates for conversion, demand growth, and the economics of conversion.
- For a NOC, created a series of market level network strategies analyzing market dynamics, consumer trends, traditional competition and emerging threats. Identified where to invest/add sites and how to manage that capital investment
- For a regional oil company, developed a CNG offer for its wholesalers to enable the development of this new business
- For an IOC, developed several market entry strategies in Asia, Africa and the Americas

AlixPartners

WHEN IT REALLY MATTERS.