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Making CNG Work for You

# Natural Gas in Trucking Market Overview



Bill Zobel  
VP Market Development & Strategy – Trillium CNG  
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# NATURAL GAS IN TRUCKING OVERVIEW

## Market Highlights:

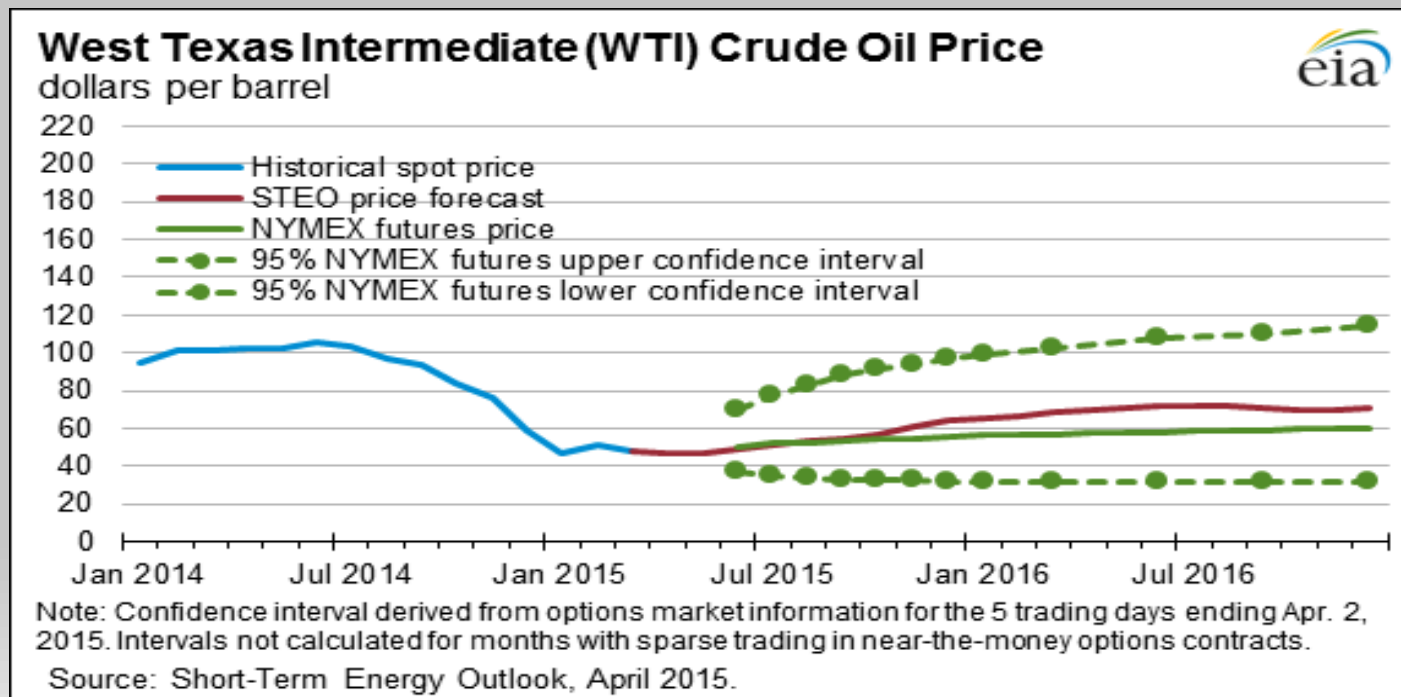
- Commodity (Crude Oil, Diesel) prices at 5 year lows
- GHG regulations, fuel economy and truck sales
- Driver shortage continues
- Capacity shortage improving slightly on reduced volume
- Natural gas refueling centers expand by:
  - +174 new Public Access CNG sites in 2014, 18 LNG
  - +38 new Public Access CNG January - April 2015, 10 LNG



# OIL AND GAS COMMODITIES

## Oil Prices – EIA 2015 STEO Projections

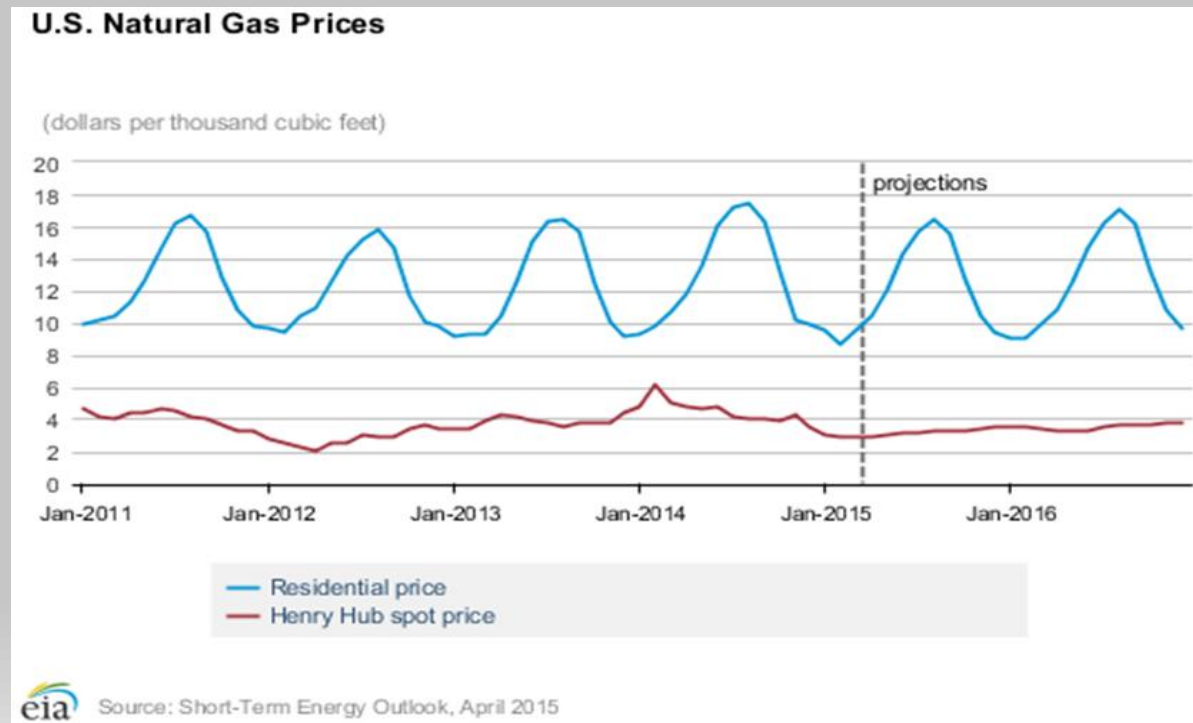
- Expect a slow steady climb upwards
- Globally market is oversupplied by around 1-2MMbpd
- Lifting of Iranian sanctions and other intl. projects add supply
- US rig count down, volume relatively steady at ~9MM bpd
- Growth in domestic production expected to stop, but still up vs. 2014



# OIL AND GAS COMMODITIES

## Natural Gas Prices:

- Stable as expected
- Storage levels high enough to hold prices stable
- Coal and nuclear power generation remain under pressure
- Gas commodity prices resilient to upward pressure



# HEAVY DUTY NATURAL GAS VEHICLE SALES



HD Truck sales @ 10 yr highs:

- 286K units sold in 2014
- 333K units expected in 2015<sup>(1)</sup>

HD CNG truck sales may be slightly off 2014's 10K units:

- ~3,000 12.0L
- ~7,000 9.0L

# DRIVERS, TRUCKLOAD CAPACITY AND REGULATIONS

## Driver shortage continues nationally

- Companies have increased pay, and instituted incentives to boost driver retention – he who has drivers gets the loads

## Capacity metrics show less market strain on slightly lower freight volume 1Q 2015

- Factors - weather, slower than expected economic growth
- Trend - Shippers locking up longer term capacity at higher rates to ensure products get to market

## Trucking industry's regulatory priorities

- HOS restart rule suspended, remains under pressure
- Confidentiality of CSA (safety) scores
- GHG regulations – Phase II draft rules delayed

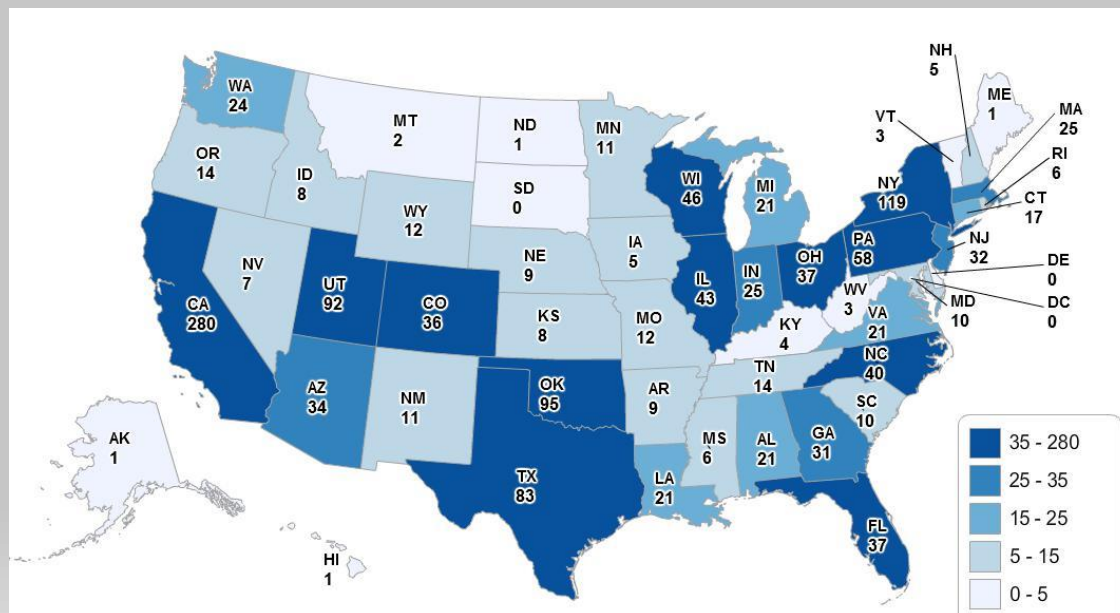
# FEDERAL AND STATE POLICY OUTLOOK

## Federal

- VTEC is off the table for the time being
- LNG tax fix is likely to get done in this Congress
- Highway funding is one of many transportation priorities in Congress, natural gas in transportation is not
- Creativity around federal programs is required

## States

- Grants and incentives have proven useful in maintaining market momentum
- Inconsistencies across states make grant programs cumbersome



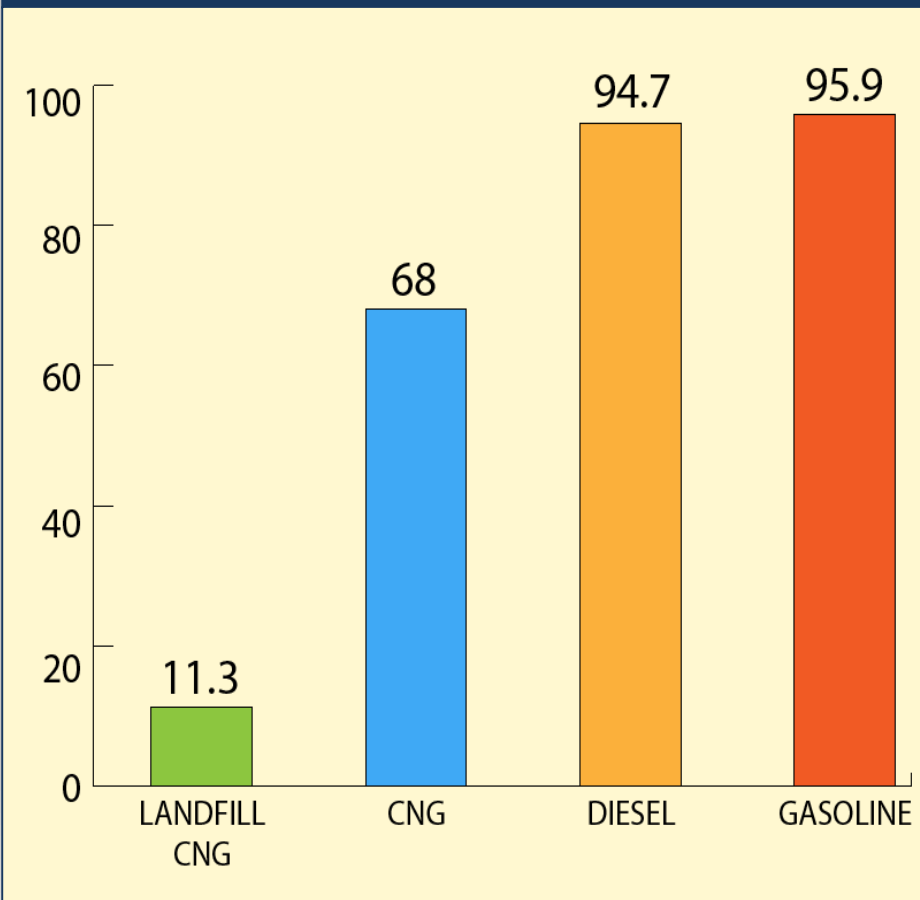
Number of CNG stations by state, US Department of Energy, AFDC

# GHG POLICY IS DRIVING FUEL ECONOMY AND HD TRUCK SALES

## Federal and State GHG Regulations:

- GHG for HD trucks kick in in 2017
- GHG regulations are driving diesel fuel economy, and truck sales
- New Phase II GHG rules due out in the next 3-6 months for 2020-2025
- Natural Gas will not be incentivized
- **EDF Fugitive Emissions Study** due out in the next few months – Industry is already clamoring over leakage rate assumptions, and vehicle emissions
- **California GREET Phase II** modeling changes could reduce CNG benefits to something less than 20%

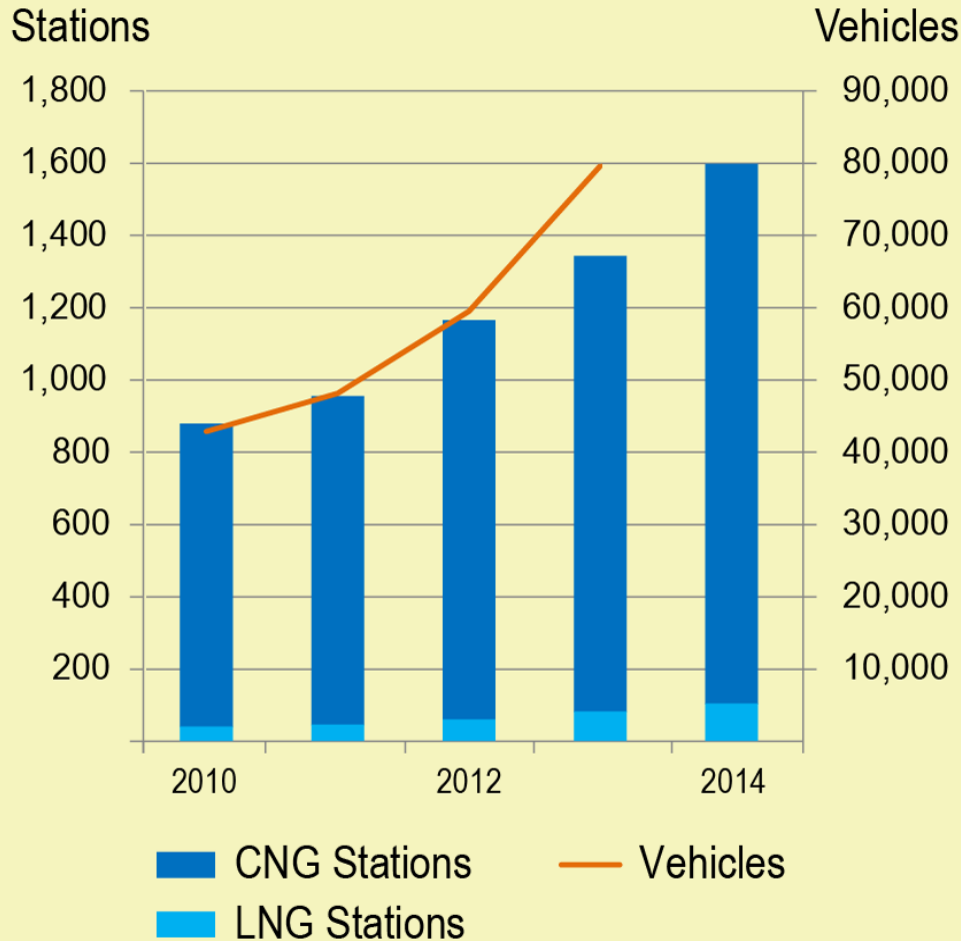
## WELL TO WHEELS GHG EMISSIONS Grams CO<sub>2</sub>eq/MJ





# CNG INDUSTRY GROWTH

*There are an estimated 70,000 Diesel refueling locations in the US, & around 1,700 NG*



# MARKET OUTLOOK SUMMARY

- Our market should see modest, not rapid growth near term
- Commodity prices expected to be steady near term
- HD CNG truck sales expected to level off until diesel prices rise
- Innovation and competition will continue to occur impacting products and market prices
- Drivers and capacity will remain tight for some time
- Federal policy makers unlikely to support VTEC or truck rebates
- Regulatory uncertainty will continue short term



# THANK YOU

Bill Zobel

Vice President – Market Development &  
Strategy

760-590-3420

[wazobel@trilliumcng.com](mailto:wazobel@trilliumcng.com)