



**The National Biodiesel Conference
February 10, 2010**





How we fit into the market

- PFL is an OTC biofuels brokerage company who helps create liquidity by offering market participants a confidential means to post biofuels and RINs they wish to buy or sell
- We match up the two parties and earn a broker fee for these services
- Providers of PFX electronic trading platform





Discussion Items

1. Defining the value of a RIN
2. A look at Historical Pricing Patterns
3. Compliance Demand
4. Aggregate Supply & Demand Numbers of Biodiesel RINs





What is a RIN's Value?

“The right to *not* have to blend”

Theoretical Biodiesel (BD) RIN Value= Cost of finished biodiesel - Cost finished diesel

$RIN = (BD \text{ Cost} + \text{Transportation}) - (ULSD \text{ cost} + \text{Transportation})$

The spread between BD and ULSD or...





Example: Midwestern SME B99 Market

$RIN = (BD \text{ Cost} + \text{Transportation}) - (\text{ULSD cost} + \text{Transportation})$

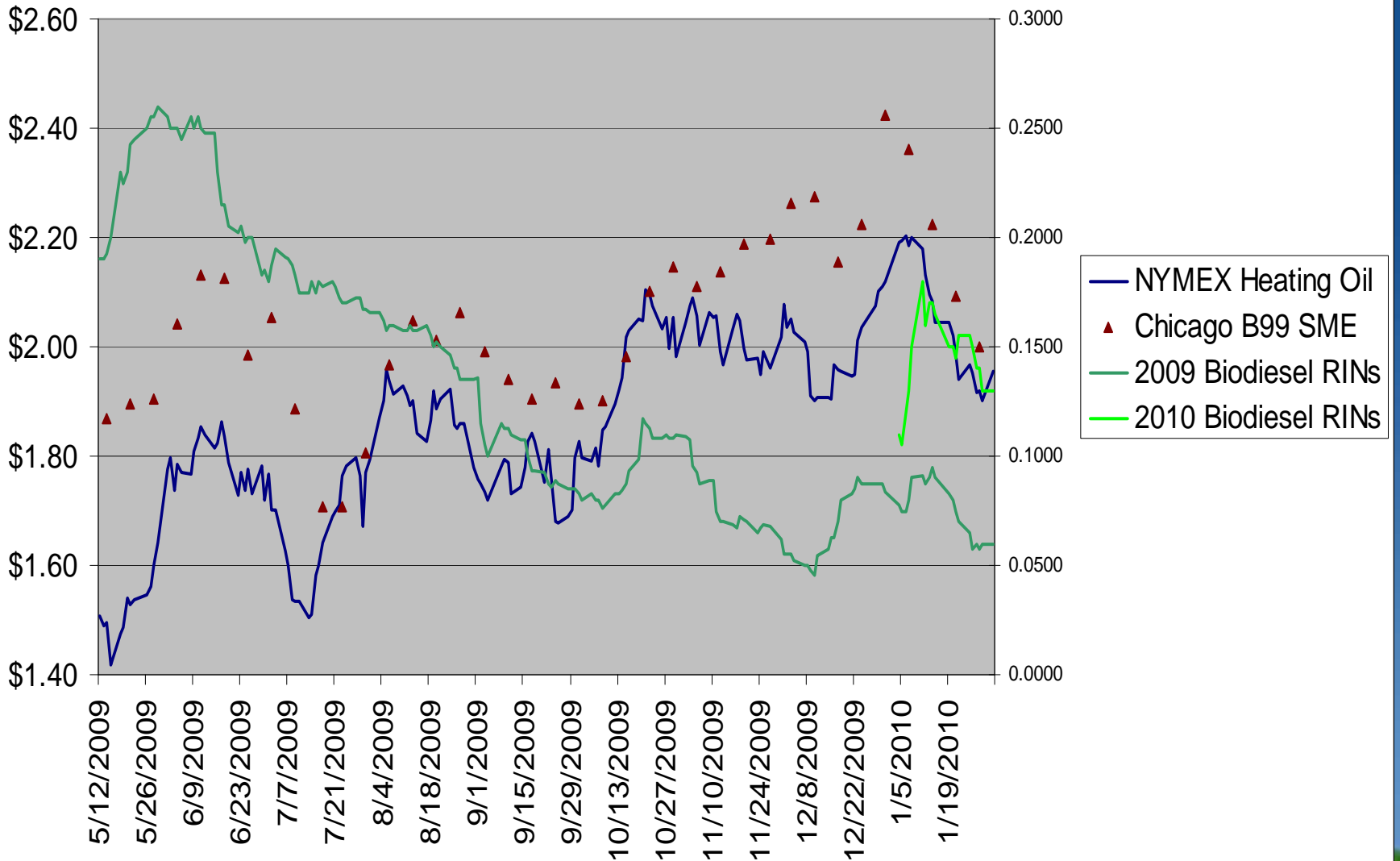
$$RIN = (\$2.06 + \$0.10) - (\$1.95 + \$0.02)$$

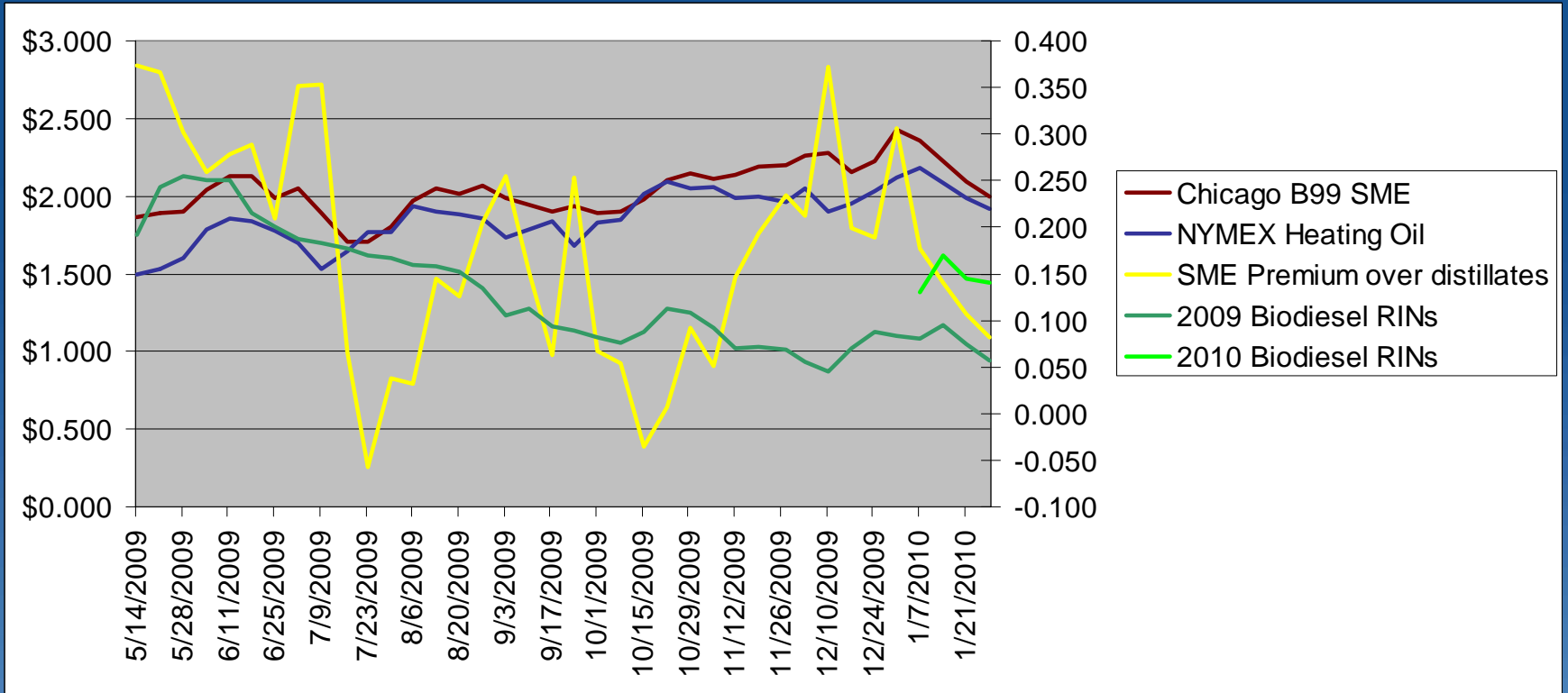
$$RIN = \$0.19$$

Without a blender's credit?

External factor...Compliance Demand (CD)









Drivers of RIN pricing

- **Price of Biodiesel v price of ULSD**
 - ie: crude markets, feedstock costs, etc
 - From looking at our last slide we know that this isn't the entire picture
 - Compliance demand, the need for obligated parties to comply with RFS, and now RFS2
- **Supply and Demand of RINs**
 - Quarterly reporting periods
 - Timelag in blending statistics creates uncertainty and speculation in the market
- **Blending Logistics**
 - Storage and throughput capacities
 - Transportation
 - Personnel
- **Risk premium for blending v. RINs**
 - ie: quality issues
 - Larger exposure to risk of unknown variables with blending





Demand Requirements

Combined 2009 and 2010 Requirements=1.15 Billion Gallons (per RFS2)			
2009=500 Million Gallons		2010=650 Million Gallons	
20% (100M) can come from 2008	80% (400 M) can come from 2009*	20% (130M) Can come from 2009	80% (520M) Can come from 2010





Supply

Year	Produced	Import/Export/ Mandated	Available
2008	690M	350M Mandated	340M
2009	475M	60M Imported 169M Exported 500M Mandated	356M Available

*All figures are estimates, based on the best data available to PFL





Demand picture for 2010

Remaining balance:

- $1.15\text{B} - 100\text{M (2008)} - 356\text{M (2009)}$
 $= 694\text{M (2010)}$ of demand





Supply Picture for 2010

- **1st quarter 2010? 20M estimated, leaving 674M required for the remainder of the year**
- **Notional US production capacity is estimated at 2.9 billion gallons**
- **2009 total production=475 million gallons or approximately 16% of capacity**
- **The X Factor:**
 - how quickly can the remaining 84% of capacity, return to production?
 - How will feedstock prices and availability respond?
- **Using 2011 supply?**
 - 800 Million Gallons mandated for 2011
 - Depending on how production rebounds through the remainder of 2010 some obligated parties could enact a deficit carryover into 2011.





Other RFS2 Category to consider

- **Advanced biofuel requirements for 2010= 950 Million gallons**
 - Fuels that are to fulfill this requirement must have a 50% Greenhouse Gas Reduction Profile
 - Candidates include biodiesel, cellulosic ethanol and sugarcane ethanol





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