

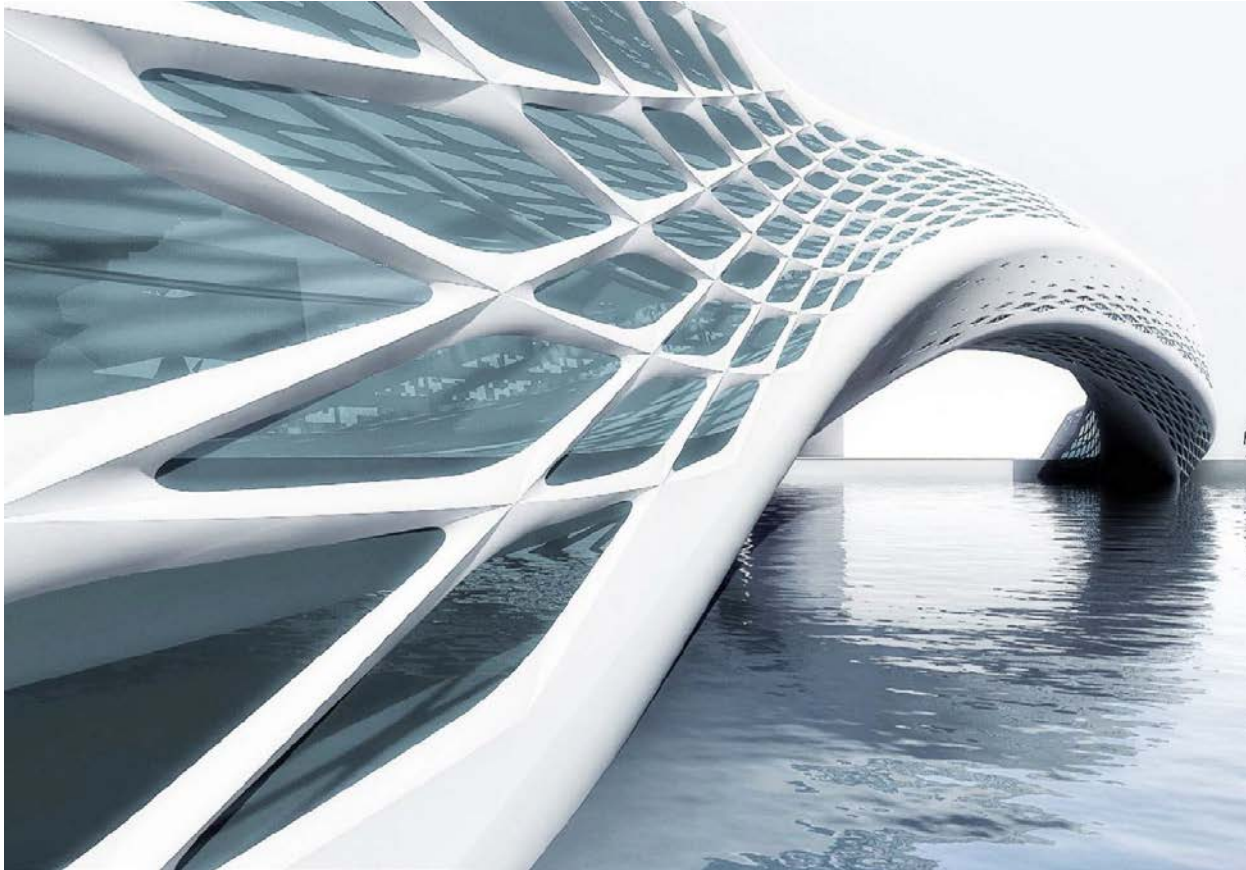


Global Management Consulting

III Congress ACP, Bogota, Colombia

September 2017

Bridge to the Future



Agenda

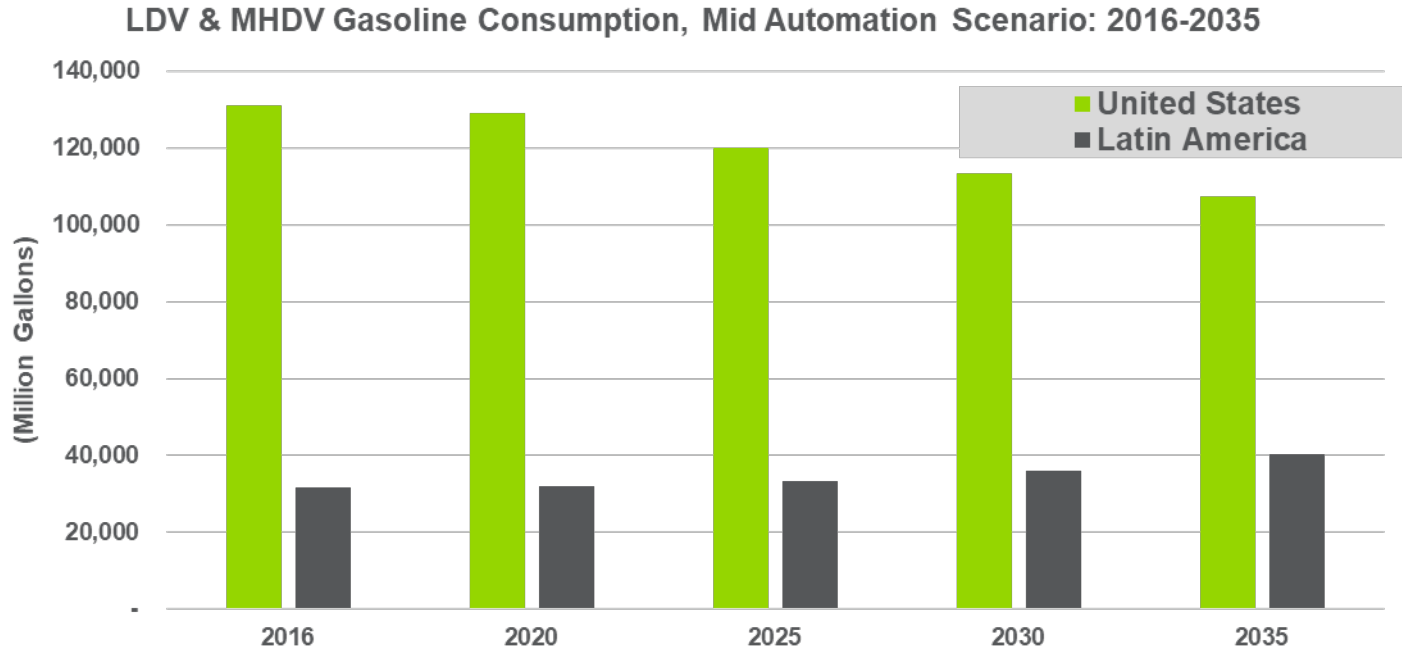
- Future of transport energy marketing
- USA Downstream consumer benefits and welfare
 - Fuel distribution regulatory evolution



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Future of Transport Energy Marketing

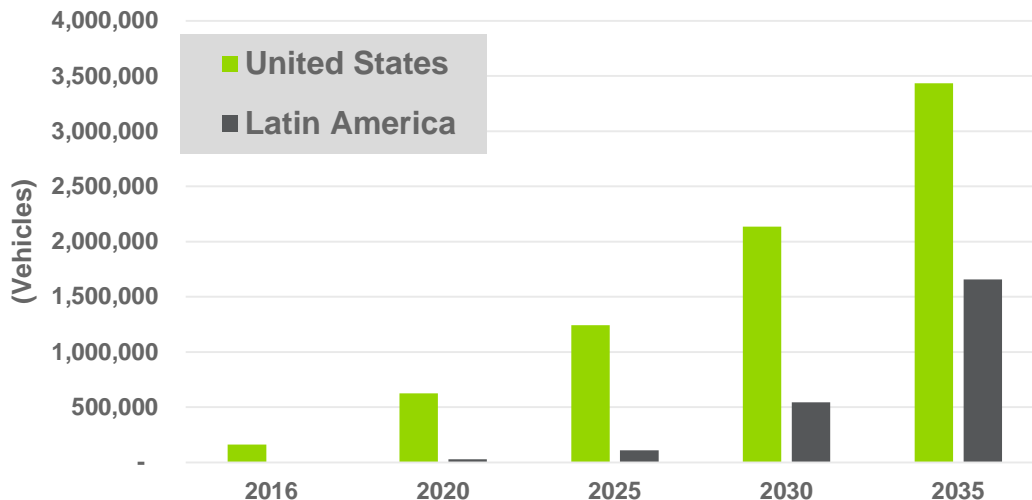
Gasoline Fuel Consumption Forecasts: United States & Latin America



Liquid fuel consumption in transportation is expected to decline in the U.S. due to gains in fuel efficiency and the impacts of vehicle automation while rising in Latin America due to increased fleet size

Plug-in Electric Vehicle Sales Forecast: United States & Latin America

PEV Sales, Base Scenario: 2016-2035



Latin American EV market is expected to start taking off starting in 2030 as more models designed as global platforms become available in the market

What Do Consumers Want/Need

Consumers want better everything including quality/price = value!



Better experiences



Better products



Better taste, healthy & NOW...at home!



Fuel/Convenience Will Change

Service destination
vs. being a necessary stopover



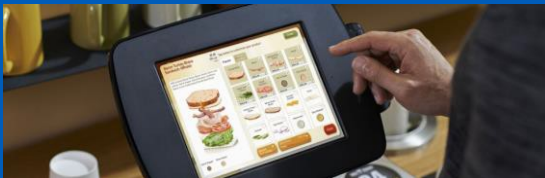
Energy, tech center
vs. filling station



Community hub
vs. sales outlet



Innovation channel
vs. old-fashioned marts



Treats plus healthy
vs. tobacco, sugar and diesel



Positive & flexible
vs. doomed by regulation



Fuel/Convenience Will Change



Reinvention efforts by Shell and others:

- Respected energy consultancy, Wood Mackenzie predicts retail liquid fuel consumption could diminish by up to 20% by 2035 in USA
- Shell will run experiments around the world in the next 18 months to assess how to adapt their offer and facilities
- Shell is testing sites with LNG, Hydrogen and Electrification in USA, Netherlands and the UK
- Shell is trialing an Amazon Go-like proposition; click and collect lockers and robots to fuel cars in China
- Shell will offer a fuel delivery service in Netherlands later this year!
- 'Total' is installing 300 charging sites and 350 natural gas stations across Europe; and 400 hydrogen fueling points in Germany by 2023
- ExxonMobil is reportedly working on a new higher octane fuel composition to improve fuel efficiency



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USA Downstream Consumer Benefits and Welfare

USA Consumer Welfare Benefits from Liberalized Markets

\$550 B total revenue
fuel/convenience
retail sector



154,000
fuel/convenience stores



\$10.2 B pre-tax profit for
retail sector



160 M consumers
served per day



Nearly \$1 Billion donated
or collected by the retail
sector in 2016



2.5 M employees in
fuel/convenience retail
sector



USA Consumer Welfare Benefits from Liberalized Markets

New Era Marketers Quik Trip QT



- Deregulation and Best Practice success stories; Harvard Business Review case study
- Ranks high on the list of Forbes' privately-held companies
- In top 100 of Fortune's 'Best Place to Work' for Millennials
- A company created to provide opportunities for others
- Ranked #1 again in USA by consumers



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Fuel Distribution Regulatory Evolution

Regulatory Principles

Competitive forces
insure proper
functioning of the
market

Control should focus
on behaviors (abuse
dominant position),
rather than structure

Freedom and
competition in all
links of the value
chain, including
imports &
infrastructure

Ability to monitor
and adapt to change
in a dynamic world

Do not intervene in
competitively
functioning stages,
e.g. prices and
margins

Clear rules, low
legal/bureaucratic
barriers to entry and
certainty spur
investment

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Market Liberalization Advantages

- ✓ Government's fuel subsidy burden elimination
- ✓ Price signals that normally work to balance supply and demand
- ✓ Long term investment encouraged
- ✓ Efficient marketers rewarded
- ✓ Consumer offer is enhanced with a level playing field for competitors



The Road Ahead

1

The future is uncertain and
disruption is coming

The timeline is unclear

2

Those who mitigate risk,
diversify and innovate will
prosper

Most things that seem
permanent are not

3

Learning organizations
capitalize on global
successes and failures

Free market stimulates
long-term investments,
improves the economy and
consumers' daily lives



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Muchas Gracias!



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