

# **Clean Energy Fuels Corp. (CLNE) Q2 2024 Earnings Call Transcript**

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**Body**

Clean Energy Fuels Corp. (CLNE)

Q2 2024 Earnings Conference Call

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Company Participants

Robert Vreeland - Chief Financial Officer

Andrew Littlefair - President and Chief Executive Officer

Conference Call Participants

Eric Stine - Craig-Hallum

Rob Brown - Lake Street Capital markets

Manav Gupta - UBS

Matthew Blair - TPH

Craig Shere - Tuohy Brothers

Pavel Molchanov - Raymond James

Betty Zhang - Scotiabank

Presentation

Operator

Good day and welcome to the Clean Energy Fuels Second Quarter 2024 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Bob Vreeland, Chief Financial Officer. Please go ahead.

Robert Vreeland

Operator. Earlier this afternoon, Clean Energy released financial results for the second quarter ending June 30, 2024. If you did not receive the release, it is available on the Investor Relations section of the company's website at www.cleanenergyfuels.com .

For the call is also being webcast. There will be a replay available on the website for 30 days. Before we begin, we'd like to remind you that some of the information contained in the news release and on this conference call contains forward looking statements that involve risks, uncertainties and assumptions that are difficult to predict.

Such forward-looking statements are not a guarantee of performance and the Company's actual results could differ materially from those contained in such statements. Several factors that could cause or contribute to such differences are described in detail in the Risk Factors section of Clean Energy's Form 10-Q filed today.

These forward-looking statements speak only as the date of this release. The Company undertakes no obligation to publicly update any forward-looking statements or supply new information regarding the circumstances after the date of this release. The Company's non-GAAP EPS and adjusted EBITDA will be reviewed on this call and excludes certain expenses that the Company's management does not believe are indicative of the Company's core business operating results.

Non-GAAP financial measures should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for or superior to GAAP results. The directly comparable GAAP information reasons why management uses non-GAAP information a definition of non-GAAP EPS and adjusted EBITDA and a reconciliation between these non-GAAP and GAAP figures is provided in the company's press release, which has been furnished to the SEC on Form 8-K today.

With that, I will turn the call over to our President and Chief Executive Officer, Andrew Littlefair.

Andrew Littlefair

Thank you, Bob. I'm pleased to report that we reached the midpoint of 2024 in a strong financial position driven by a very solid second quarter. Following an equally good first quarter. We reported $18.9 million in adjusted EBITDA for the quarter versus $12 million in Q2 of 2023. Sold 57 million gallons of RNG during the second quarter, and revenue was $98 million versus $90 million for the same quarter in 2023.

We ended the quarter with just shy of $250 million in cash and investments. I'm going to keep my remarks relatively short today, but I do want to highlight some of our accomplishments during the quarter, which helped to explain the good results.

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The achievements in Q2 are a great microcosm of Clean Energy's overall business and what sets us apart from virtually any other company in the low carbon energy sector. This begins with the completion of the expansion to our Boron facility, the only natural gas liquefaction plant in California, increasing its output capacity by 50%.

Much of the new demand for LNG has been driven by the commercial maritime industry overall, and Pasha, Hawaii in particular. Pasha is now operating three large container ships on clean burning LNG between the ports of Long Beach, Oakland and Honolulu.

Fuel volume from these ships has grown from a little over half a million gallons a month in August of 2022 to over 2.1 million gallons of LNG in May of this year. By doing so, patient ships have obtained a 90% reduction in NOx and a 25% reduction in carbon dioxide compared to ships operating on traditional fuels.

After years of hard work by our team members, we have constructed an extensive fueling infrastructure across North America that is second to none in the business. We own or operate over 600 fueling stations throughout the US and Canada.

While many of these are private, meaning they were built for a single fleet customer, like a transit agency or a sanitation company, over 200 of them are accessible to the growing number of fleets that are testing a natural gas truck or adding trucks to their existing fleets.

Because the networks have grown geographically and the environmental benefits of RNG are becoming better known. We've strategically located many of these fast fill stations along interstates in the highly trafficked locations where fleet vehicles operate, such as distribution centers.

Increased recurring fueling at our existing stations is one of the driving factors of our revenue growth at healthier margins. As we have built 19 of these publicly accessible stations with Amazon as our anchor customer. We are now beginning to see more trucks from other fleets fueling at them as well.

We're in the process of executing a similar infrastructure strategy in Canada with our partner Tourmaline, the largest independent gas producer in Canada. Together, we are building a series of stations in Western Canada that will be anchored by existing customers but available for additional new fleets.

Because of its range, power and torque, the new Cummins X15N engine is seen as an excellent fit for the terrain and logistics of Canadian trucking. Second and third stations under our Tourmaline partnership are scheduled to open this fall.

Here in the US the fueling agreement that we signed in the second quarter with Cemex, one of the largest cement companies in the world, is a great example of a fleet that is expanding with natural gas trucks in Southern California, and taking advantage of our growing network of RNG stations throughout the region.

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I have said on these calls many times, we are convinced that the heavy-duty transportation industry, which is looking for ways to decarbonize, can't find a better, more immediate and affordable solution than renewable natural gas.

There's also a growing realization that other new shiny penny alternatives are years away from being deployed in any meaningful way and could be out of the reach for many fleets in the foreseeable future.

We've all read the numerous stories in the financial media and especially in trucking publications chronicling the footfalls of electric vehicles and the lack of charging infrastructure. On the flip side, after the media spent years writing about the other alternatives that are now having trouble getting traction, we're seeing more coverage of the Cummins X15N engine, including a recent piece in the commercial carrier journal by Jason Cannon, a well-respected veteran trucking reporter.

Indulge me while I read how Jason ended his very thorough review after test driving a Peterbilt truck equipped with the X15N, natural gas lost its seat at the head of the fuel of the future table when the potential of battery, electric and hydrogen started turning heads.

But natural gas right now checks a lot of boxes for fleets looking to reduce emissions without sacrificing payload, fill time and range. Peterbilt's Ultraloft 12 speed makes the strongest case for driver comfort that natural gas has ever had. End quote.

Jason chronicles in his review the bumpy ride that natural gas has had in the heavy-duty trucking space over the last 10 years or 12 years. And those of you that have followed Clean Energy and heard me on these calls have lived through it as well.

But with the introduction of RNG, a fuel that scores better than any other in reducing carbon emissions, and a new engine that finally checks all the boxes operationally for the industry, we, along with a growing number of experts, believe the time is right for heavy duty natural gas trucking.

To ensure our network of stations has the RNG to put in the tanks of those trucks, continue to have great success in partnering with a growing number of RNG suppliers around the country for their offtake. And as you hopefully saw in a series of announcements over the last few months, we continue to make nice progress in our own production of low carbon RNG from dairies, with six projects now producing RNG.

Daryl Maas is one of the most well-respected developers in the RNG industry, so we were pleased to sign an agreement with this company to build a series of projects utilizing the covered lagoon method that Maas Energy has refined over the years.

We've approved a cluster of dairies in Georgia and Florida and other single 4 projects in New Mexico, Nebraska and South Dakota. Engineering has begun on these projects with completion scheduled in 2025 and 2026. We also recently broke ground for an RNG digester at South Fork Dairy in Texas.

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The owner, Frank Brand, has rebuilt the 16,000-cow dairy and we couldn't be prouder to call him our partner in the project. Injection of RNG into the pipeline recently began at our Ash Grove Dairy project in Minnesota, one of the projects we developed with our partner BP. And last month we successfully monetized the investment tax credit generated by our first dairy RNG project Del Rio.

Credit sale generated approximately $9 million of net proceeds to the project. Plan is to monetize the investment tax credits on our other five currently operational projects over the next 12 months. That is a good segue on how I'd like to close my remarks and address an area that I know we're all watching closely, which is the election in November.

I know many of you are attempting to calculate the different outcomes and if or how they will impact the overall energy transition space in companies like clean energy. Like most companies in the low carbon energy sector, we fielded many questions by investors.

And while I won't speculate on any particular outcome, I will say this. We partner with landfills and dairy farms to deliver low carbon, domestically produced biofuel to commercial transportation customers, produce and deliver sustainable fuel, which generates environmental and financial benefits for the agriculture, municipal waste and transportation industries.

We strongly believe that this will continue to be embraced as a win win solution by any administration or leadership in Congress. As an example, we will be hosting next week the chairman of the House Ways and Means Committee, Jason Smith, with several other members of Congress, including Representative Brian Fitzpatrick, who is the republican cosponsor of the RNG tax credit legislation.

These members are coming to our headquarters where we and executives from UPS and WM will show off the latest technology and natural gas trucks and brief them on the benefits of RNG production and fueling to rural America, municipalities and industries.

We were very pleased that the RNG tax credit bill, introduced by Representatives Fitzpatrick and Democrat Linda Sanchez in the House early this year was recently mirrored in the US Senate with a Bipartisan companion bill co-sponsored by senators Mark Warner and Thom Tillis.

I started my career in politics, so I know just enough to be dangerous, but as I said, we feel comfortable that no matter the outcome in November, there is widespread and cross the aisle support to produce a fuel that tremendously helps the US agricultural industry both environmentally and financially, including creating jobs in rural America, and decarbonizes heavy duty vehicles in a way that no other alternative has been able to seriously address.

Now I'll hand the call back to Bob who will go into more detail about our strong quarter. Thank you.

Robert Vreeland

Thank you, Andrew, and good afternoon to everyone. We had a good second quarter for 2024. We continue to see good results from our fuel distribution business, including good volumes and margins at our station network, plus strong RIN pricing, and our LCFS revenues were back on track, albeit at a lower trending LCFS credit price during the quarter.

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On a GAAP basis, we reported a net loss for the second quarter of 2024 of $16.3 million, or $0.07 per share, which is the same as last year's GAAP net loss and per share amount. Although we got there in different ways, on an adjusted non-GAAP basis, we reported net income of $2.7 million, or $0.01 per share, in the second quarter of 2024 versus breakeven non-GAAP results last year for the second quarter.

And as Andrew mentioned, our adjusted EBITDA was $18.9 million for the second quarter of 2024, compared to $12.1 million the same period in 2023. And just to clarify upfront here, our LCFS revenue of $4.4 million for the second quarter of 2024 includes $2.2 million of LCFS credit revenue that we discussed on our last earnings call where we mentioned that we had transacted our first quarter 2024 LCFS credit sales in April of 2024 due to the Easter holiday.

Then for the second quarter, we transacted our second quarter LCFS credit sales in June, so we got back on track there. That was also for about $2.2 million, thus taking our total LCFS to $4.4 million for the quarter.

While the added LCFS revenue from the April sales boosted our second quarter results, we still saw incremental gains in our fueling business in the second quarter of 2024 compared to last year, principally due to a better mix of higher margin fuel sales and higher RIN pricing that helped to offset some of the lower LCFS pricing that we saw.

On a year-to-date basis, our financial results are well above last year, with a GAAP net loss of $34.7 million for the first six months of 2024, compared to a GAAP net loss of $55 million for the six months into June '23.

And adjusted EBITDA for the six months ended June '24 was $31.8 million versus $8.2 million for the same six month period in 2023. Last year was negatively impacted by the extraordinary high gas costs in California in the first quarter of 2023, which did cost us about $10 million last year, but with an improvement in our adjusted EBITDA year-to-date of $24 million, it means that we are seeing marked incremental improvements here in 2024 for the first two quarters beyond the recovery from last year's gas cost anomaly.

In fact, on a GAAP earnings basis, our GAAP net loss of $34.7 million year-to-date is running better than planned. As such, we're updating our GAAP net loss guidance to be in a range of $91 million to $81 million for 2024, versus our previous guidance of a range of a GAAP net loss of $111 million to $101 million, basically an estimated $20 million improvement to our GAAP net loss.

We're not changing our 2024 adjusted EBITDA guidance of $62 million to $72 million because the improvement in our GAAP guidance is due to higher interest income, lower depreciation expense, lower stock compensation expense, and lower Amazon warrant charges, none of which impact our adjusted EBITDA.

With adjusted EBITDA of $31.8 million for the six months into June 30, 2024, we feel confident in maintaining our annual outlook for adjusted EBITDA of $62 million to $72 million. And finally, I wanted to make a few comments around our RNG volumes and our total revenues for the second quarter of 2024 to provide some more insight on the trends that we saw there.

On the RNG volume front, we reported 57.1 million gallons of RNG sold for the second quarter of 2024 versus last year's second quarter was 58.6 million RNG gallons, and the first quarter of 2024 it was 58 million RNG gallons.

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The slight decline in the second quarter of 2024 compared to last year and the first quarter of '24 is the result of about 5 million RNG gallons that we sold outside of our station network a year ago and in the first quarter of '24 that didn't repeat in the second quarter.

We anticipated much of this reduction in the RNG volumes when we set out, when we set our 2024 outlook, where back in February, we had identified certain RNG volumes that we had distributed outside of our station network in 2023 that we didn't expect to repeat in '24. And that's really kind of what we saw in this second quarter.

So frankly, we were able to make up a lot of that to get to the 57 by distributing RNG into our network. And in fact, that change, by doing that in RNG gallons was part of the reason why our overall fuel margin improved in the second quarter of '24, as we were also then able to pick up the margin on our underlying commodity of fuel sale in addition to the RIN and the LCFS.

On a year-to-date basis, through June of 2024, we've delivered 115 million gallons of RNG. Now, our target that we estimated back in February of '24 for RNG gallons for 2024 was 245 million gallons. Reaching 245 million gallons will be a bit of a challenge at this point in the year.

So, we're going to, what we do see, though, is that we really can deliver somewhere between 95% and maybe 100% of that 245 million gallon target for 2024. And I'll just point out that as we're seeing in our financial results, that ultimately that mix of RNG delivered is also an important part of contributions to our bottom-line results.

On the revenue front, Andrew had noted our revenues for the second quarter of $98 million, compared to $90.5 million a year ago, second quarter, there was one item that certainly muted that year-over-year increase. It would have been higher. But last year we had $3.6 million in revenue related to the non-cash change and fair value of derivative instruments.

And in 2024, that number was 100,000. So, you got about a $3.5 million number in the prior year number change. And apart from that, then kind of all the categories, all the sources of our revenue were increased. Our fuel sales were greater. This was from higher vehicle fuel sales on higher volumes.

We saw higher RIN revenue in the second quarter compared to a year ago, driven by RIN pricing. That was up 76% and higher LCFS revenue, although that was mainly due to the April sales that I mentioned previously. And then we also had an increase of nearly a million dollars in our alternative fuel tax credit revenue.

So, kind of across the board increases there. From a more recent standpoint, when we look at our second quarter, 2024 revenue compared to our first quarter, that's down approximately 5%. I will say about 30% of that decline relates also to the change in the non-cash fair value of derivative instruments.

And then the other reason for the decline from Q1 was largely because of natural gas and that flow through of the commodity price, that cost that we've talked about before, that impacts revenue and it impacts our cost. We saw dramatic reductions in natural gas from March, actually through June on that.

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So, but the point, I guess the important part there in terms of that trend is these are normal contributors impacting our revenues that largely they do not have a dollar for dollar impact to cash margins at our stations.

And nothing that we see in that trend from the first quarter to this second quarter was pointing to any fundamental change or decline in our business. With that operator we can open the call to questions.

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Eric Stine of Craig Hallam. Go ahead, please.

Eric Stine

Hi Andrew. Hi Bob. Hey so, you mentioned in the release 7% volume growth at your stations. I'm just curious if you could break down specifically or from a high level by your key end markets, I guess specifically trucking and refuse? And then would love your updated thoughts on timing of the X15N.

I know that it's certainly moving towards production and launch but really hasn't gotten going yet in a big way. So just updated thoughts would be great.

Andrew Littlefair

Most of that percentage increase comes from trucking, Eric. And if not almost all of it. And on the Cummins launch I mean let's just kind of review for everybody. You know earlier in the year the early introductory engines were put out some of the nation's largest fleets.

It was interesting, Cummins a couple weeks ago mentioned that those test vehicles have accumulated a million miles and the company feedback, driver feedback has been I think just short of tremendous the torque and fuel economy and ride has really been, has come to the surface is, is what we were hoping.

The next phase has been the delivery now of kind of pre-production units. These are units that actually got built on the line but before the sort of formal. So, there's been another batch of trucks that have now been delivered.

In fact, for instance, we got one. We're very excited about it. It'll go into our demo fleet here next week. Beautiful trucks and so that'll be the next batch that'll be operating. The order book has been opened and I think that opened March or April. But now the orders and purchases is something now at this point as between Cummins and their customers.

We are working hard with Cummins PACCAR and the dealership owner groups as we're all kind of working and working with our channel partners to get these orders in. I have heard anecdotally that at some recent industry meetings Cummins has stood by that they still believe that they'll sell 3000 units.

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Now as we've talked about on these calls for the last six months, we know that these engines are going to, these trucks will, likely get into service latter part of 2024. So not a big volume thing for us. But we're all anticipating, these orders because next year we pick up another OEM.

So, you'd have more, more, the engines could go into a greater number of vehicles. So, we're very excited about it so far. I hope we'll begin to see some announcements for some of these fleets, but that's really up to the fleet incumbents at this point. But we're working hard on it and, we're optimistic.

Eric Stine

Yeah, but I believe that Cummins recently talked about 8% is where they see adoption going out. A little open on the timing just because of moving parts. But that was good to see. Can you.

Andrew Littlefair

Eric, that's. And yeah, I don't know, the timing, that was quote unquote, I think over an extended period of time. So I don't know what that means. Three years, whatever. I've always sort of in, what I heard in those early Cummins discussions is that, there would be 2024 and maybe as many 7025 and then they got, then they started talking about percentages.

So, I'm not holding the CEO to it. I love, of course, hearing that the CEO thought enough about this product to talk about in our earnings call. And not knowing the exact timing of it. 8% equates to something close to 20,000 units. Right.

20,000 units translates into somewhere around 300 million gallons of fuel. So, for the industry, for the RNG industry, for those of us in the downstream part of the business is big. And, recall right now we're talking about somewhere around selling 240 million gallons of fuel this year.

So, we have the largest market share here by far. So, this is very, this Cummins X15N as we've stressed, is really important for us and the industry.

Eric Stine

Yep. Absolutely. Maybe for my last question, just on the upstream or upstream for an update, you talked about the six projects that are operating, that are producing RNG. I mean, still kind of the timeline that you start to see an EBITDA pick up late in '24 and that those start to contribute, I guess, fully in '25 and then maybe what are your plans here for the remainder of the year?

Robert Vreeland

Yeah, Eric, generally, yes, that's correct. I mean, we're still going to be working with inside our guidance that we gave for the RNG JV investments, which was negative 10 to negative 14 million EBITDA. But yeah, working within there contemplates monetizing gas that's being produced, but certainly not at kind of full capacity.

And yeah, the goal would be to be as close to full capacity by the end of this year for sure going into '25. So, we're excited about it, frankly. It's good stuff as we, when you finally get to see the fruits of your labor with the pipeline quality gas going into the pipeline, from these projects.

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So that's the main point. Then, of course, you'll have the Maas projects, but, all of the other projects that are under construction, they're all really late '25. Right. And so, they don't contribute a lot in '25, but they're big for all relatively large projects. So, they'll be meaningful, but they won't come on and begin to really inject until later in the, later in '25.

Eric Stine

Right. They'll follow the same timeline as the six that you've got this year where they come on and it takes a bit. Okay. Thanks a lot.

Operator

The next question comes from Rob Brown of Lake Street Capital Markets. Go ahead, please.

Rob Brown

Good afternoon. First quote, first question is on the non-Amazon fueling. You talked a little bit about those stations or the Amazon stations fueling non-Amazon trucks. Could you give us a little color on how that's ramping and what you're seeing there?

Andrew Littlefair

You're saying what's the ramp on Amazon stations?

Rob Brown

No, the non Amazon fuelers that are at those stations.

Andrew Littlefair

Yeah. Well, obviously once we have more fleets that begin to accept, Cummins X15. So that's really a '25 event. You'll see more of it. But like, for instance, we have some large fleets and if I WM, ecology, DHL, I mean, those are the kinds of fleets that are beginning to show up at these, at the public, let's call it the public side of these Amazon locations.

So large fleets that have a lot of trucks. Kenan group. And so, that was as designed, right. We knew. And Amazon wanted to have public fueling at those locations. They're in perfectly located warehouse and logistic areas. And so, they really lend themselves to a lot of fleets.

And I hope we're just seeing the beginning of that problem.

Rob Brown

Okay, perfect. Thank you. And then on the kind of back to the RNG facilities that have opened and started running, I realized it's early, but how are you, what are sort of learnings there in terms of the operations?

Are you seeing the flows that you want and the margins you want and how's the operations looking there?

Andrew Littlefair

Well, I think we're learning a lot as we go here. And the commissioning seems to have taken, as we've talked about on these calls, a little longer than we've all wanted. But maybe that, in retrospect, maybe that's to have been expected.

We, after a 60-day kind of commissioning phase, we begin to inject and then we tune. Right. I mean, that's kind of what's happening is we begin to get all the pieces, the upgrading equipment, the compressors, we get the kicks out and we see the uptime come up and we're seeing that in Del Rio.

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We've made some adjustments and some pipelines and some different things, and we've had, I think it was in June, very nice increases in production. So I think that's where all these will go. And in one of our large projects where we're handling manure right now in Idaho, we're handling more manure than we thought was possible.

So, just when we think things sometimes are slower and a little more difficult, we're pleasantly surprised on the quality and how these things are working. I think, Rob, generally, while slower operating has been good, we'll continue to in house operations, more, we know a lot about operating stuff, and we're going to continue that.

We've now really fully graded, fully integrated our engineering teams and some of our operation folks and some of our SCADA systems in, and we're trying to bring some efficiencies that we've learned through operating, several hundred fueling stations and some LNG plants to this.

And I think, I think we'll be pleased that we're doing that. And that's sort of new and as these last five projects come on, we're beginning to kind of get our arms around it and staffing up.

Rob Brown

Okay, thank you. I'll turn it over.

Operator

The next question comes from Manav Gupta of UBS, go ahead, please.

Manav Gupta

Two quick policy questions, and ask them upfront. First, any timeline we should think about on terms of 45Z. When can we get some kind of more guidance from treasury? And on a similar line, when can we expect some kind of update from, carb on the, whether it's a 7% step down or 9% step down, and I'll turn it over. Thank you.

Andrew Littlefair

Yeah, Manav, on Carb, we believe that in the next two or three weeks, carbs should release. This is kind of funny. Release their 15-day notice, which, I don't know, best we can all tell, it's going to be about 30 days before the November 8 hearing.

So, I mean, that seems to be on track. I think Carver's working on that now. So, we should see the agenda and the items on it here in the next couple, three weeks is what I'm being told. And that's for November 8.

And that's still, there's always time for that to be changed, I guess, but that still seems to be on track. 45V that, I think we're still kind of assuming what I was told from sort of a senior policy person that would know about this, that, we should expect something out of treasury, some initial rule sometime in, at the end of the summer, so, like in September.

And so I kind of think and that's the way that's going to go, but we got some more time to wait on that.

Operator

The next question comes from Jashant Alyani of Jefferies. Go ahead, please.

Unidentified Analyst

Thank you for taking my question. I just have one maybe could you talk a little bit about your EBITDA cadence for the second half of 24? Historically, we have seen it kind of ramp up quarter over quarter with 1Q being the lowest.

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So, if you follow a similar cadence, and is it fair to say that there's a chance to hit the higher end of the guide? What are some puts and takes there?

Andrew Littlefair

Yes, you are correct that we have seen a bit of a, kind of a ramp up in that cadence. And generally speaking, we would expect to see some of that general, same profile as we look at the second half of the year. But in terms of getting to the high end, oh, gosh, there's always a possibility.

That's why I have that range there. We're feeling good about where we are right now within that range. And as we've always said, it's kind of all about volume. So we do the best that we can to predict that volume. And we're constantly looking at recent trends, so there's a chance.

Operator

Our next question comes from Matthew Blair of Tudor, Pickering, Holt. Go ahead, please.

Matthew Blair

Thank you and good morning, and congrats on the solid results. I think what stood out this quarter was just the rising unit margins in your downstream refueling segment. So, I was hoping we could dig into that a little bit. Bob, you mentioned that, that the mix improved.

Does that just refer to the share of RNG versus non-RNG? Because it did look like that picked up a little bit. And then I was also hoping you could talk about did lower California natural gas prices also help out in terms of your unit margins? Thanks.

Robert Vreeland

Okay. Yeah. Right. Matthew, I will say that the lower gas costs did help us because we continue to enjoy a pretty healthy spread. As an indicator, we're always kind of comparing the, say, NYMEX to your WTI crude. And when that spread is large, like it has been, it just means that we've got some pretty good pricing power, if you will, at the pump.

So that helps us. And particularly with the amount of volumes we have in California, when California moves like it did, that's helpful. And then on the mix, I am referring to the fact that as we see more vehicle fueling kind of at the stations, it's not really RNG versus CNG or RNG versus nothing as much. It's the type of gallons.

And look, as we're, we're seeing some increases. That's why we indicated that part of that increase was in trucking. And that's an area where that's your kind of sweet spot of fuel margins. So as that goes, you'll see those improvements.

Matthew Blair

Okay. Okay. And then with the Supreme Court reversing the Chevron decision, are you expecting any impact on the RFS program and any sort of corresponding potential decline in RIN prices?

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Andrew Littlefair

You know, Matthew, I'm not a scholar on all that, but I followed some of this. And, a lot of the underpinnings on the, for instance, on the laws passed by the Congress. It's not that every law passed by Congress is the same as what might be applicable to what happened in the Chevron deal.

And I think that the RFS, the way I've been following the trades and some of the people that been following it, I think the RFS is in pretty good footing. And so, I don't know that that's in, let's call it in immediate jeopardy. Not sure about that.

I'm sure there will be those that will try to don't like the RFS might try to work on that. But I'm thinking the RFS and the way that came through Congress and the way it's been dealt with over time, I'm thinking it's on more sure footing.

But, there'll be a lot of tests on some of these things. I mean, for instance, there have been those that have thought that, the republican controlled house might try to put a congressional review act in to try to undo some of the IRA.

And I'm sure there are those, though. About an hour ago, I saw 18 republican members of the House put a letter into the speaker saying, hey, as you look at repealing the IRA, there's a lot of stuff in there that we like.

So this isn't, occasionally when people look at this, they think this is all going to, get poured out. This is all very simple. And it's not, it's a little more complicated than that. I would say that on, for instance, on the congressional Review act, things like that, that takes the Senate as well.

So that means you'd have to clear the 60 votes there. So that's why that's not used that often. Now a new administration could certainly impound certain funds that have been put through and make it difficult to spend them, in different categories.

And so, we'll see how all goes. There's a lot of water coming under the bridge before that all happens.

Matthew Blair

Great. Thank you.

Andrew Littlefair

Hey, Matthew. Well, one of the, was that, that was Matthew, was it? One other thing is since I've followed the RFS now, I don't know how long that's been in law. 12 years. A long time now, that particular law is really bipartisan.

You know, you have the ethanol producing states and you, I mean, you have a lot of, 10 years ago there was talk that a Republican Congress might try to unwind the RFS, and I really do believe the RFS is on a lot more solid footing today than it's ever been before.

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We see really bipartisan participation on supporting a renewable fuel standard. Sorry. Go ahead, operator.

Operator

Okay, thank you. Our next question comes from Craig Shere of Tuohy Brothers. Go ahead, please.

Craig Shere

Good afternoon. Thanks for taking the questions. Did I hear correctly that the first upstream JV project recovered $9 million for your portion of the ITC? And how much total do you expect from the other five projects?

And using that as a backdrop, can you kind of opine more generally on how you feel about capital funding into 2025, 2026?

Andrew Littlefair

Well, the $9 million is total project. And Bob, I don't know that I have a number on top of my head on.

Robert Vreeland

Well, I would say that the, the other five are generally speaking in around the same size, if you will. So, they probably will. They may have some of the same qualified assets in that ballpark. So it shouldn't be too much different than that. But there's a number of things that can go in there with pricing in the market and all that.

But that's in the ballpark. And, I mean, we'll use that capital at the project level, if you will. New projects maybe right at the same project, I mean, depending. But.

Andrew Littlefair

And then our cap, our capital for the projects that we've talked about, Maas and a couple of our other projects are, yeah, we're covered right now.

Robert Vreeland

We either have the money at the JV, we have the capital. So, the projects that we talked about on these calls, we've got the capital committed in the peg.

Andrew Littlefair

And available to us. I mean, we have 100 million.

Robert Vreeland

Additional, so we're good on that. Craig?

Craig Shere

Gotcha. And separately, a diversified peer company with landfill RNG exposure just announced their first discretionary institutional fixed price contract with a public utility. It was over five years or I'm sorry, it was just five years, but they expect future agreements, a longer tenure.

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Now I know this is not the market for your ultra-low CI dairy gas, but as landfill gas is pulled out of the system, if this becomes a trend, especially if that happens, just as all these 15 liter trucks hit the market, demand for dairy is going to go up dramatically.

So maybe you could opine about what you see as supply and demand for RNG these days?

Andrew Littlefair

Supply and demand currently is in pretty good balance. There's a lot of RNG projects coming on, lot of landfill projects and low CI projects. I don't anticipate a real problem. I hope we get into a real problem, right?

I hope we start creating, we hit that 8% number and we need $300 million a year. The industry has a tough time keeping up with that because that's every year, right. You need to create that. But let me remind you that, Bob and I talk about it quite a bit. You probably heard us talk about it.

Right now, you're dispensing that you're in California at our 140 or 50 stations, I think somewhere around a -140 to 150 on the CI index. And I don't know that you need to supply someone fuel at -150.

So, my point is that as you blend that fuel, you can fuel more vehicles. We have a very significant fleet where their fuel, just by the way it works in the contract, I think they're getting -353. Well, that's unusual. And other fleets won't get that.

So, my point is you're going to be able to have plenty of RNG to get customers at either just, a negative fuel number or zero number. So you'll have plenty of RNG, Craig, as you go forward here. Don't sweat that.

And I also happen to think that as the 15 liter comes on, the market's going to move, continue to move. Look, 80% of the RNG today in America goes into transportation because it's where you get rewarded for it the best.

So, yeah, look, I'm all for it. If somebody wants to do whatever they want to do, is okay by me. But you watch, most of it will end up going to the hardest decarbonized location place, which is transportation, where you make the most money on it.

I also have, having said that, I happen to think that the large AI and data center people are going to start getting more comfortable with needing natural gas for their data centers. You'll see that as a trend.

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You know, it was all going to be wind and solar, and now you're going to start hearing that, well, maybe some natural gas would be okay. Well, I think that's a beautiful opportunity to blend in RNG and bring that fossil down to zero.

So, there will be lots of opportunities for RNG. That's what gives us confidence in making these investments, because in a vehicle or use it in data center or if you use it in other places, use it to make hydrogen. I think there's a great future for the RNG because it's the lowest carbon feedstock really out there.

Thank you. But have no fear. You know, I'll still stick that. Over the next decade, you'll have a couple billion gallons of RNG from manure, and there are several million more, billion more gallons that'll be brought on from the landfill, wastewater, food, waste.

So, we're not trying to replace every gallon of diesel or, or all-natural gas that's making a power today. But there's, there'll be several billion gallons of RNG, which is a long way from where you are today.

Craig Shere

Thank you.

Operator

Our next question comes from Pavel Molchanov of Raymond James. Go ahead, please.

Pavel Molchanov

Thanks for taking the question. Maybe kind of macro question. First, price of oil is at the lowest level in about 24 months. And I think there's some fear in the market about kind of recessionary pressures potentially impacting demand.

And obviously you have a useful channel check on certain use cases. So, are you seeing demand softening in recent weeks and months?

Andrew Littlefair

On our transportation? No, but I don't know that we are the best check on that. But while we have a pretty good feel for how our fleets operate and we haven't seen any decline there, but, we don't see people sidelining, transit buses or refuse trucks or the delivery, type fleets trucking that we, that we fuel.

I guess I thought where you were headed is do we see a decline in oil? Are we concerned that, you're going to have wake up that it's going to be $50 oil and, I guess I'd be curious your thoughts on this.

I'm kind of thinking that you're going to bounce along the lower part of the $65 to $75. And if you are, you'll have three dollar gas versus $65 oil. And for us that would be very, that'll be very constructive.

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Right now, you're trade, right now between natural gas today at $209 and oil at $75. I mean you're 36 to one on a BTU equivalency. So you're really at the high end. And of course we like that, but we don't need that. We were happy for a long time at 15 to 16 to one.

Right. So, there's a lot of room. There's a lot of room kind of there, I think.

Pavel Molchanov

Okay. You know, we talk a lot about the drivers of your product margin, not as much about the service line item. And when I look at your service business, revenue kind of has this very consistent growth.

But it looks like the margin has come down maybe over the last couple of years from 40 ish percent down to closer to 30, three zero. Any reason for that?

Andrew Littlefair

You know, Pavel, I'm going to, I'm going to put this out there and call it inflation. You know, it's just a bit more, yeah, it's just a bit more costly on all of this. We're still okay with our margin. We're not okay with it kind of coming down. But we do know why it's come down.

Sometimes it can ebb and flow a little bit because just based on the types of maintenances that are done. But I think fundamentally, we see that. But it's still, it's still good, still good service, recurring revenue on it.

But it's, I'm just going to say it's a little bit more on the cost front. Now we're, we're looking at where, as we renew contracts and that sort of thing. I can tell you in this day we are, we're certainly getting our fair share as things come up for renewal to address the pricing versus what it's costing all across the board with wages and materials and that sort of thing to support it.

So, we're kind of addressing it as well.

Pavel Molchanov

Okay. We haven't touched on this maybe a year or so now. Is there anything interesting happening with the Long beach adopt the port initiative that you guys had with Chevron a couple years ago?

Andrew Littlefair

Well, it's kind of, we just keep at it, Pavel. We've actually expanded it kind of re, if you will, refill or refilling up the bucket of funds from Chevron to continue to do more trucks. Some of the regulation at the port, the electric push for electric and some of the new fleet rules have made it somewhat daunting for those small fleet operators down there to kind of, shoot the, shoot through the needle on what's required in order to, put in for grants, timings.

I mean they made it, they made it kind of a mess down there in terms of regulations. But Chevron and our sales team, we're still working and we have a whole bunch of trucks that are kind of in the process to buy new trucks with the, Chevron grants.

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And so, I don't know there's been any change other than we've continued just slowly but surely add trucks into the port and even in other areas around southern California is really, it doesn't, it doesn't have to be.

It doesn't really, we called it adopter port because we were very clever on the naming, but it's really that that program could be anywhere in the state of California. And in fact, I think the other day we talked about a fleet up in the Central Valley that was a trucking fleet that's putting in for those grants right now.

So, it's still in the, it's still in the offering.

Pavel Molchanov

All right. Thanks very much.

Operator

The next question comes from Betty Zhang of Scotiabank. Go ahead, please.

Betty Zhang

Thanks. Hi, Andrew. Hi, Bob. Thanks for the update. Just one question for me. When you guys were talking about RNG volumes, it seemed like in previous quarters you talked about having sold 5 million gallons outside of your station network.

So, I assume that would be into non transportation markets. But you guys talked about how clearly the economics are better in transportation markets. So, I'm just wondering what the thought process was like there, and if there's opportunity to do more, would you take it?

Andrew Littlefair

Yeah, Betty, it's all, kind of factors into the whole supply demand optimization of what goes on in a, in a quarter. And so kind of our first area of delivery is always our stations and for the highest economics.

And then just on occasion, if we see an opportunity where, because we have so much supply, folks will maybe get into a predicament, if you will, where they need RNG. And so, we take that opportunity to do it.

So that's kind of where that happens. And, yes, it's not over. It's just last year we had done some that was fairly regular, and we weren't clear on whether that was going to necessarily happen again, although a little bit of it did happen in the first quarter, which is why we still saw it.

And then really in the second quarter, it wasn't needed. And so that's what we. But we'll continue. That'll always be potentially on the table. It always is. Yeah, it is. So, first and foremost, we go to clean energy stations and all throughout our network.

And it's probably, I don't know if this is the right way to categorize it, though, Betty. It's more short term, than it is, that we're making a long-term play of moving RNG into the, the data center type thing that we talked about.

This is where a particular. Yeah, I would say, yeah. To satisfy a customer, and we're able to wholesale it over to.

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Betty Zhang

Got it. Thank you.

Andrew Littlefair

So it could very well end up, in transportation.

Robert Vreeland

In fact, I think a lot of, most of it.

Andrew Littlefair

Operator.

Operator

Okay, this concludes our question-and-answer session. I would like to turn the conference back over to Andrew Littlefair, CEO, for any closing remarks.

Andrew Littlefair

Thank you, operator. Thank you, everyone, for participating in the call, and we look forward to updating you in the next quarter. Have a good evening.

Operator

The conference is now concluded. Thank you for attending today's presentation, you may now disconnect.

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