Subject: Fwd: Project Tower - Phase I - Atlha Holding B.V.
From: Marc van der Plas
To: Danial Mahyari
Cc: None
Date: Mon, 14 Feb 2022 12:37:34 +0100

FYI.

Sent from my iPhone

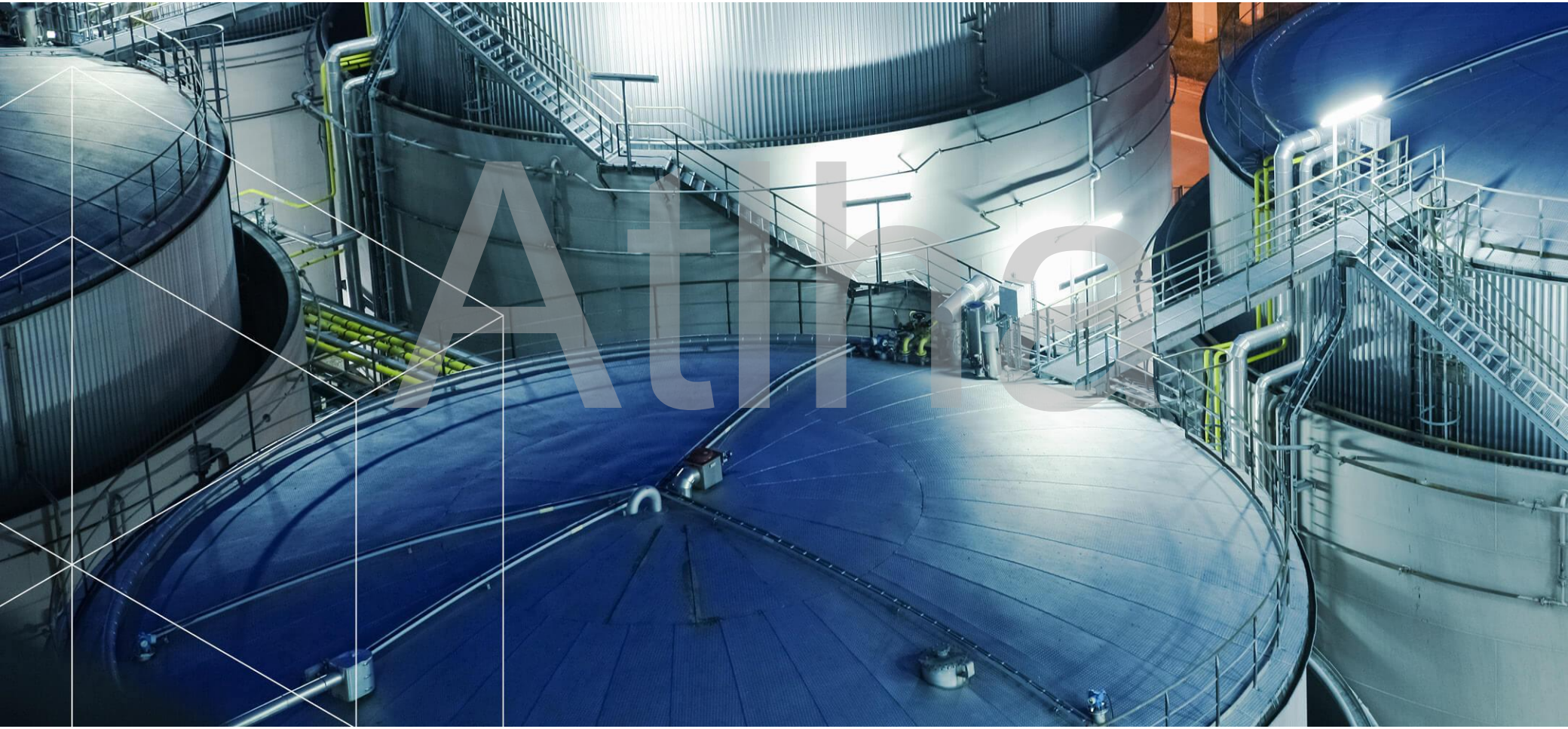
Begin forwarded message:

> **From:** "Marroncle, Mathieu" <Mathieu.Marroncle@cantor.com>
> **Date:** 14 February 2022 at 12:19:28 CET
> **To:** Marc van der Plas <marcvanderplas@me.com>
> **Cc:** Project_Tower <cf_project_tower@cantor.com>, "Jar, Konrad" <konrad.jar@woodmac.com>
> **Subject: RE: Project Tower - Phase I - Atlha Holding B.V.**
>
> Hi Marc,
>
> Please see attached the countersigned letter and the report.
>
> Best,
> Mathieu
>
> ---
>
> **From:** Marroncle, Mathieu
> **Sent:** 11 February 2022 18:48
> **To:** Marc van der Plas <marcvanderplas@me.com>
> **Cc:** Project_Tower <CF_Project_Tower@Cantor.com>; Jar, Konrad <konrad.jar@woodmac.com>
> **Subject:** RE: Project Tower - Phase I - Atlha Holding B.V.
>
> Hi Marc,
>
> Apologies for the delay, we confirm the receipt and we are working with WM for sending you the report this weekend/Monday latest.
>
> Best,
> Mathieu
>
> ---
>
> **From:** Marc van der Plas <marcvanderplas@me.com>
> **Sent:** 11 February 2022 18:37
> **To:** Marroncle, Mathieu <Mathieu.Marroncle@cantor.com>
> **Cc:** Project_Tower <cf_project_tower@cantor.com>
> **Subject:** Re: Project Tower - Phase I - Atlha Holding B.V.
>
> **[External Email:** Use Caution when clicking on links and attachments**]**
>
> Hi Mathieu, can you pls confirm the receipt of the release letter and could you let me know when we can expect the CDD report ?
>
> Thanks and have a nice weekend.
>
> Marc
>
> Sent from my iPhone
>
> > On 10 Feb 2022, at 13:27, Marc van der Plas <marcvanderplas@me.com> wrote:
> >
> > Hi Mathieu,
> >
> > Please see attached the signed release letter. We look forward to receiving the CDD report.
> >
> > Kind regards,
> >
> > Marc
> >
> > ---
> >
> > **From:** "Marroncle, Mathieu" <Mathieu.Marroncle@cantor.com>
> > **Date:** Monday, 7 February 2022 at 21:17
> > **To:** "marcvanderplas@me.com" <marcvanderplas@me.com>
> > **Cc:** Project_Tower <CF_Project_Tower@Cantor.com>
> > **Subject:** Project Tower - Phase I - Atlha Holding B.V.
> >
> > Dear Marc,
> >
> > On behalf of GPS Group, we are pleased to invite you to proceed to formal discussions on Project Tower and present a Non-Binding Offer ("**NBO**") by **March 11th, 2022**.
> >
> > Alongside a the process letter, we have attached to this mail the following documents to help you with your due diligence:
> >
> > - a financial model;
> > - PW: Tower2022!
> > - a confidential information memorandum; and
> > - a release letter, which upon execution will allow us to share with you a Phase I commercial due diligence report prepared by Wood Mackenzie
> >
> > We look forward to discussing Project Tower with you and making ourselves available to go through any information received. Notably, let us know if you would like to have a model walk through over the coming days.
> >
> > Should you have any further questions, please do not hesitate to contact us.
> >
> > Kind regards,
> > Mathieu
> >
> > ---
> >
> > **Mathieu Marroncle** | **Power, Energy & Infrastructure**
> > **Cantor Fitzgerald Europe** | 6 Chesterfield Gardens | London W1J 5BQ
> > **D:** +44 (0)20 7894 7269 | **M:** +44 7717 6589 69 | **Email:** mathieu.marroncle@cantor.com
> >
> >

Project Tower: Commercial Vendor Due Diligence

Final Report

7 February 2022



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   - 6.3 Competitive Position
7. **Assessment of GPS-A's Business Plan**
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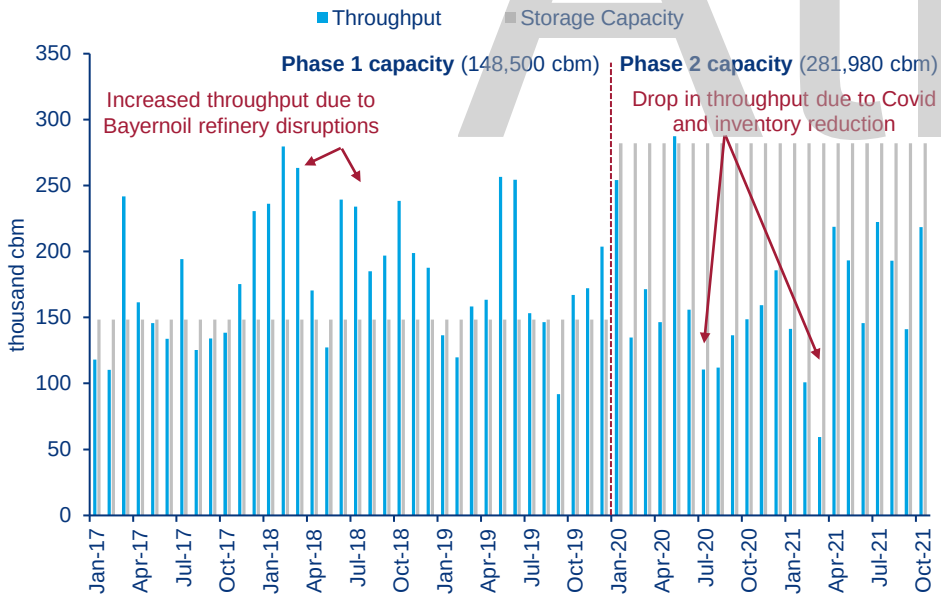
   - 7.3 Sensitivity Case 2

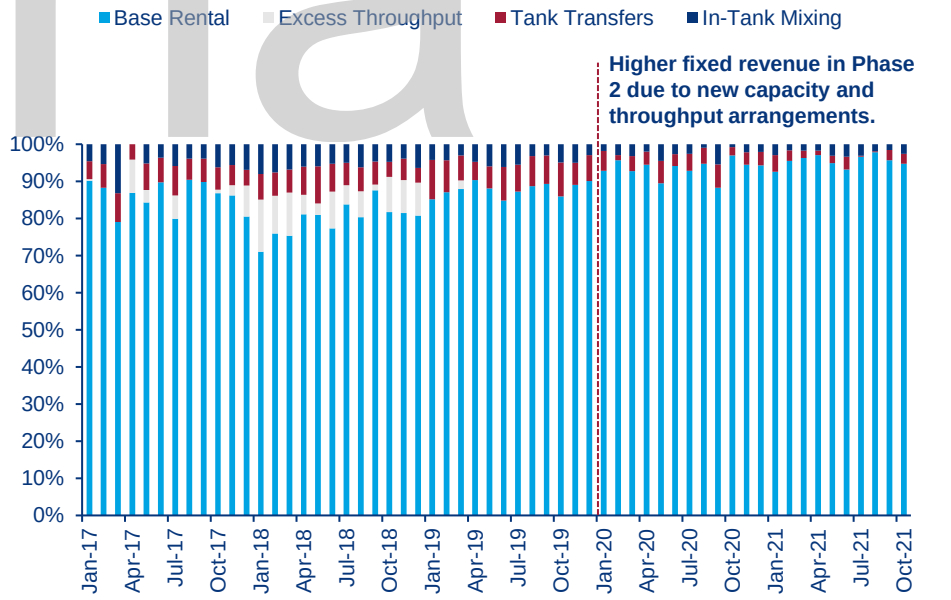
GPS Amsterdam is a 299.4k cbm modern gasoline blending terminal, used exclusively by VARO Energy for its regional gasoline and ethanol distribution and trading

- The GPS Amsterdam terminal was developed in 2011 with 148,500 cbm of storage capacity for the Argos business. Given the merger of VARO with Argos in 2015, the capacity was used by the combined business and in 2016 sold to GPS Group.
- Phase 2 capacity, commissioned in January 2020, added 6 tanks and increased the terminal's capacity to 281,980 cbm. Phase 3 will add further 17,463 cbm of capacity dedicated for ethanol and a new rail loading facility with an estimated throughput capacity of at least 350kt p.a.
- The terminal is fully dedicated and designed for VARO Energy to support the company's gasoline distribution and trading business in NW Europe. Majority of GPS-A revenue is generated from base rental fees and ancillary services, which mainly include blending and in-tank mixing.
- Capacity is fully utilised and contracted on a long-term basis with current contract extending to end of 2024. All expansion projects are also developed to support VARO's distribution business with infrastructure specifically tailored to its requirements.

GPS-A Storage Capacity & Throughput:



GPS-A Revenue Sources:

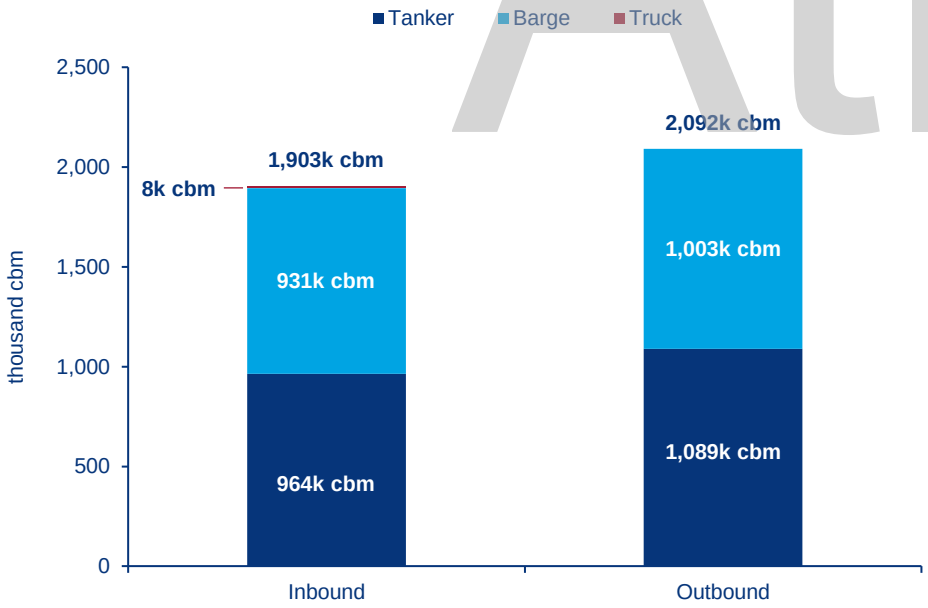


Source: Project Tower VDR

Unlike other gasoline blending terminals in Amsterdam, GPS-A supports gasoline distribution within the region and is not exposed to inter-regional trade flows

- As opposed to many large gasoline terminals in Amsterdam, GPS-A is not exposed to gasoline trading and transshipment business to other regions (e.g. West Africa, US East Coast) and the facility is used by the anchor customer for regional product distribution.
- The terminal is critical to VARO Energy's gasoline supply and blending operations and supports import of blending components from various regional refinery locations to produce various gasoline grades and E85 and benefit from blending economics.
- Product destinations are linked to VARO's supply and wholesale business in NW Europe, which is centered around the company's value chains in: the Benelux and France, Northern and Southern Germany and Switzerland. VARO maximises value from optionality in supply, bioblending and bio-ticket/bio-credit incentives and control of the short positions in these markets. GPS-A provides a crucial link between supply sources and VARO's positions in these markets.

2021 GPS-A Throughput* by Transport Mode:



2021 GPS-A Outbound Throughput* by Destination:

Redacted

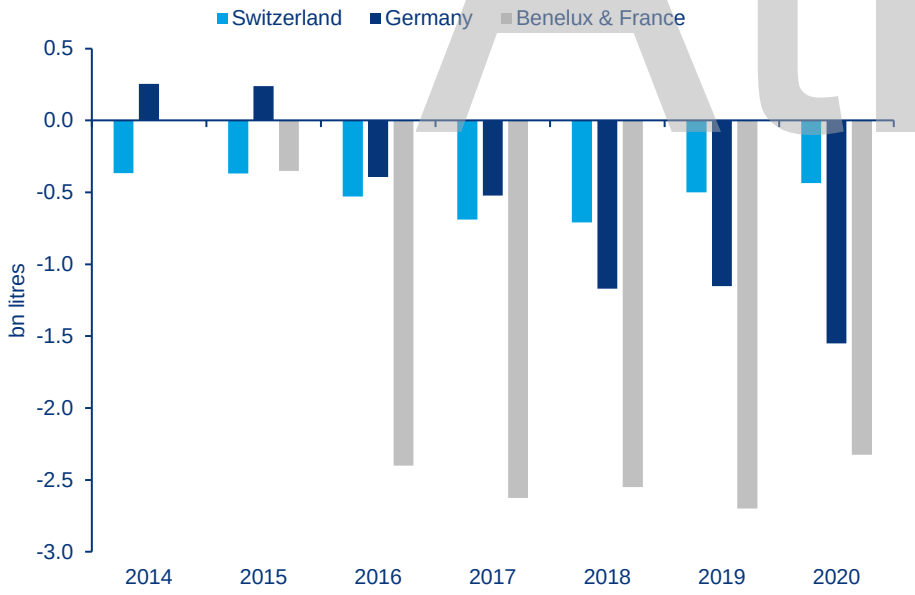
Source: Project Tower VDR, Wood Mackenzie

*Annualised based on information available to mid-October

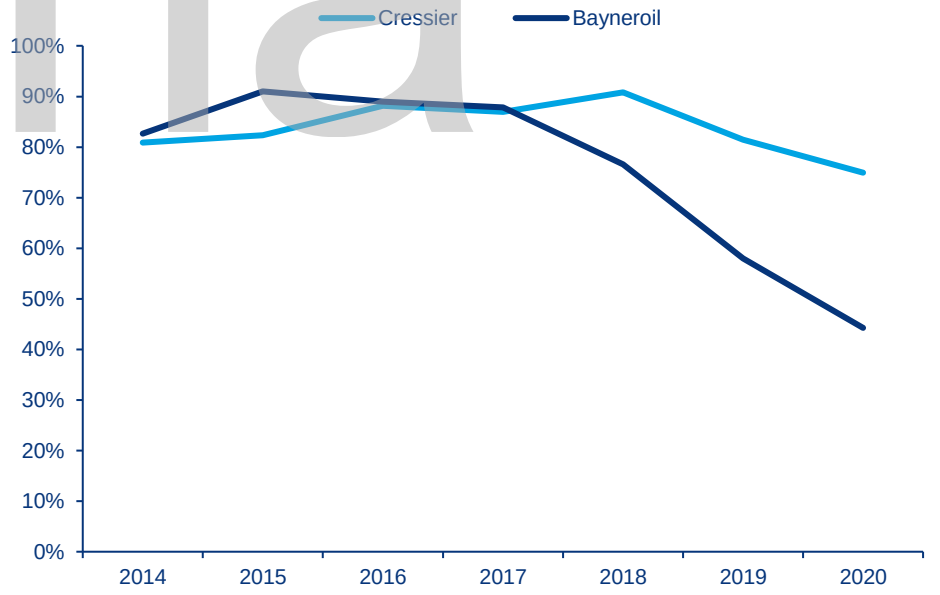
Despite refinery ownership, VARO is structurally 'short' in gasoline and relies on GPS-A for access to supply; recent refinery disruptions and challenging refinery economics are increasing importance of GPS-A

- VARO's business combines own refinery supply and supply from third party refineries, benefiting from optionality is supply sources. As a result, the company is structurally deficit and relies on access to storage infrastructure such as the GPS-A terminal. The company's key deficit market is the Benelux and France given lack of own refinery supply.
- Supply through GPS-A has become more important for VARO, given challenging refinery economics and low utilisation rates. Additionally, VARO's gasoline import requirements have increased since 2018 due to disruptions at the Bayernoil refinery caused by an explosion and fire of the FCC unit at the refinery's Vohburg site.
- Lower refinery utilisation will further increase the need for gasoline import and blending capacity at GPS-A, which has connectivity via the Rhine corridor and rail (from 2022) to supply into Germany and Switzerland.

VARO Energy Gasoline Balance*:



VARO Refinery Utilisation:**



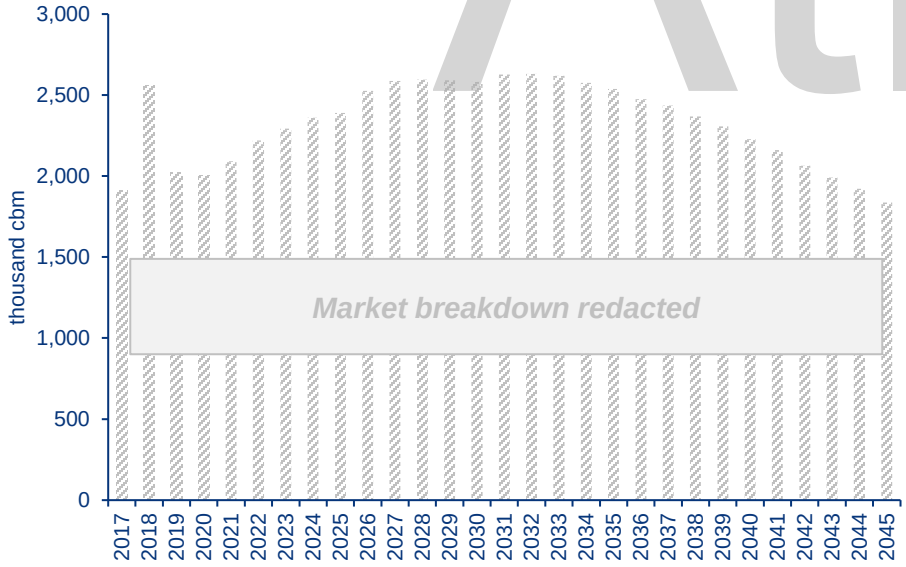
Source: Wood Mackenzie

*Estimated based on total VARO sales volumes and Wood Mackenzie's assumptions on gasoline market share and refinery production.
**Wood Mackenzie estimates, crude utilisation rate only.

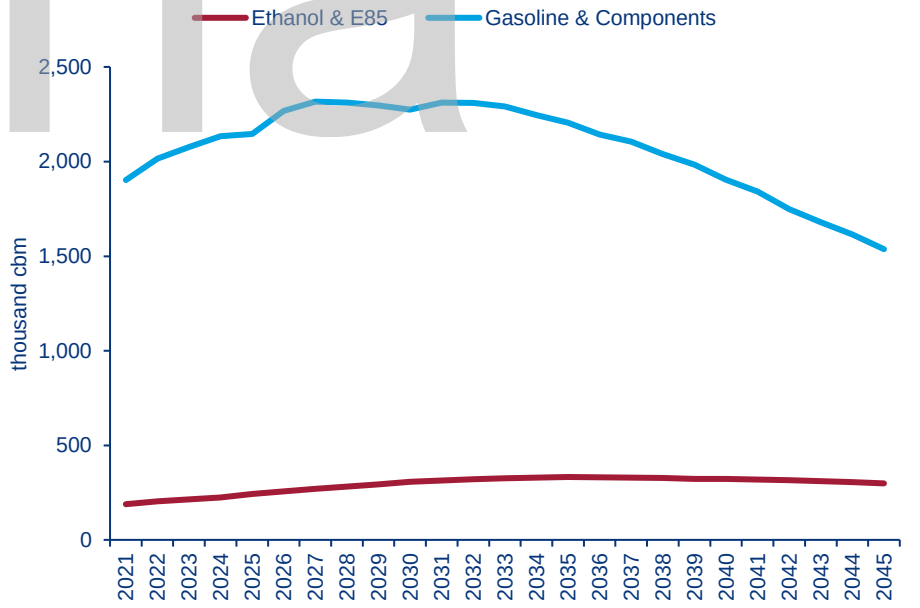
We expect throughput to be supported in the medium term by demand recovery, growth in ethanol and E85 grades and further disintegration of traditional fuel value chains in NW Europe

- We have reviewed the terminal's inbound product sources and outbound destinations by vessel type (tanker and barge) and by individual product grades and components based on the terminal's vessel log and our own vessel tracking information. Based on this analysis, we have been able to project the terminal's throughput, which we expect to be supported by:
  - Recovery in regional gasoline demand and gasoline demand growth in NW France and Belgium over the medium-term due to switching away from diesel;
  - Increasing biofuel blending requirements and resultant growth in ethanol and high-ethanol gasoline blends (e.g. E85), especially in markets where VARO benefits from bioticket trading schemes and incentives;
  - Growth of the independent fuel sector due to continued exit of traditional fuel players and oil majors, which enable players such as VARO to gain additional market share.

GPS-A Outbound Throughput by Destination *(Phase 1&2 Capacity*):*



GPS-A Outbound Throughput by Product *(Phase 1&2 Capacity):*



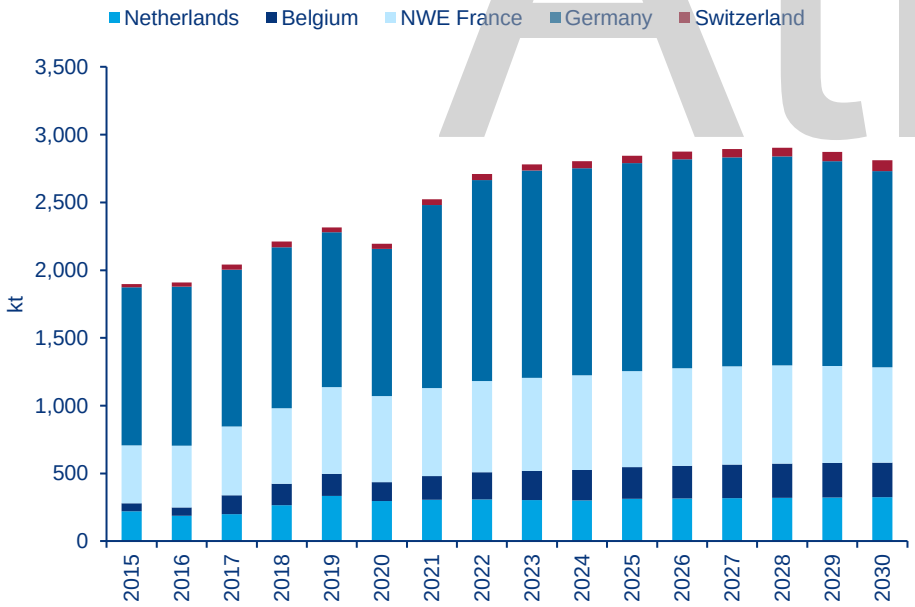
Source: Project Tower VDR, Wood Mackenzie

*Our projections for Phase 3 throughput and drivers have been presented on page 8.

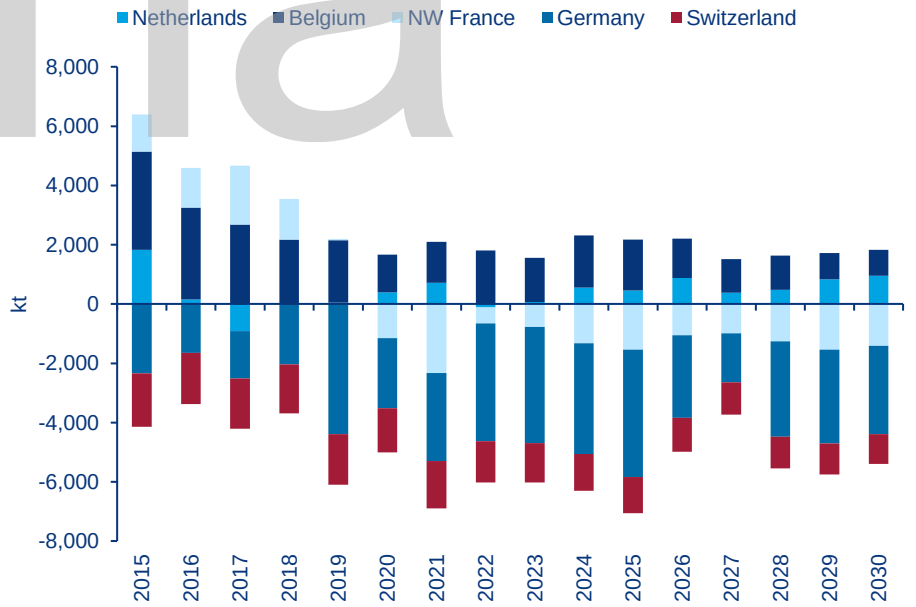
The terminal's throughput is less exposed to declining gasoline demand, given VARO's strong position in the ethanol market and growing gasoline deficits in VARO's key markets

- Gasoline demand in NW Europe is forecast to decline in the medium-term due to mandated fuel efficiency improvements and increasing penetration of electric vehicles.
- However, we understand that VARO has been increasing its market presence through focus on biofuels and capturing additional value from bioticket trading (e.g. HBEs in the Netherlands and GHG certificates in Germany). We therefore expect the terminal's ethanol capabilities and rail capabilities to be critical for the anchor customer.
- Additionally, VARO's core gasoline markets have become more dependent on import flows, which supports distribution flows from ARA to short inland markets. NW France has switched to a net import position due to closure of Grandpuits refinery and uncertainty over restarting the Donges refinery. Lower refinery runs in Germany and lower gasoline output from the Bayernoil refinery (due to shutdown of FCC unit) are also increasing importance of gasoline imports via the Rhine and rail supply.

Ethanol Demand *(selected markets):*



Gasoline Balance *(selected markets):*

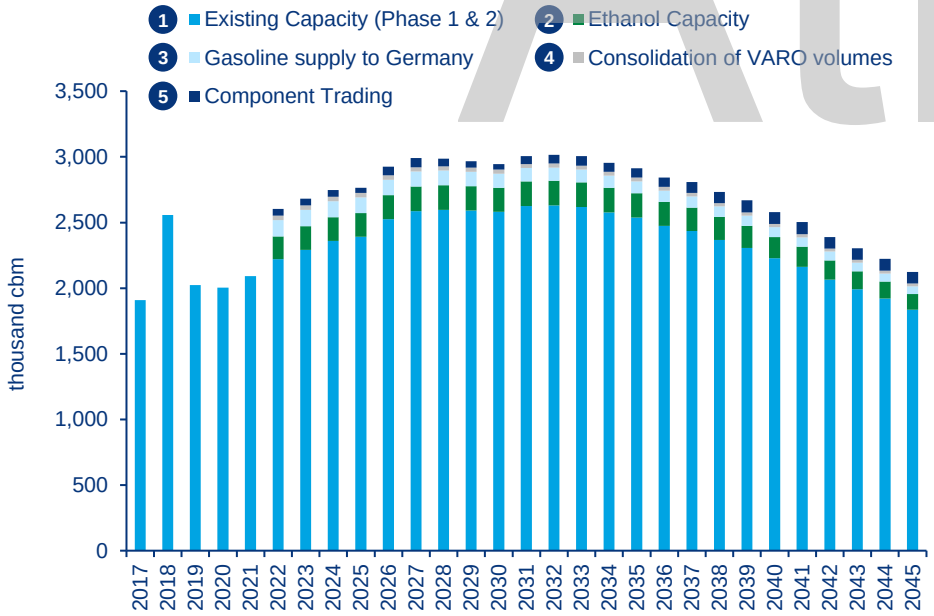


Source: Wood Mackenzie

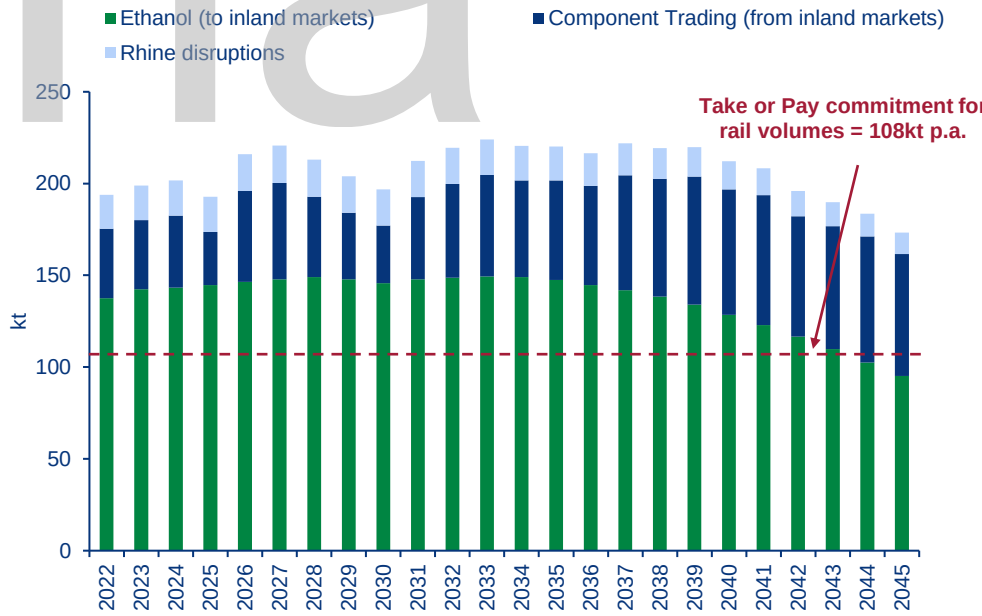
Phase 3 capacity expansion and rail connectivity will allow the terminal to capture additional gasoline and ethanol flows to inland markets

- We have developed a forecast and associated assumptions for GPS-A throughput for the base capacity (Phase 1 & 2 capacity) and additional flows enabled by Phase 3 expansion. This includes:
  1. Existing phase 1 & 2 capacity – throughput is based on demand for gasoline, E85 and component trade in individual end markets and growth in the independent fuel marketing sector;
  2. New ethanol capacity – throughput is based on Wood Mackenzie's estimates of VARO's ethanol requirements in hinterland markets, accessible by rail;
  3. Additional flows to Germany created by a step-change in import flows as domestic demand recovers but supply remains under pressure;
  4. Consolidation of other supply from ARA to VARO terminals enabled by transfer of ethanol capacity from a competing terminal;
  5. Inbound rail throughput of gasoline blending components from the Bayernoil refinery.
- Our rail throughput projections also include some transfer of volumes currently handled by barges (included under 'Rhine disruptions'). These assumptions are based on the number of days when rail becomes the preferred transport mode to low or high Rhine water levels.

GPS-A Throughput:



GPS-A Rail Volumes:

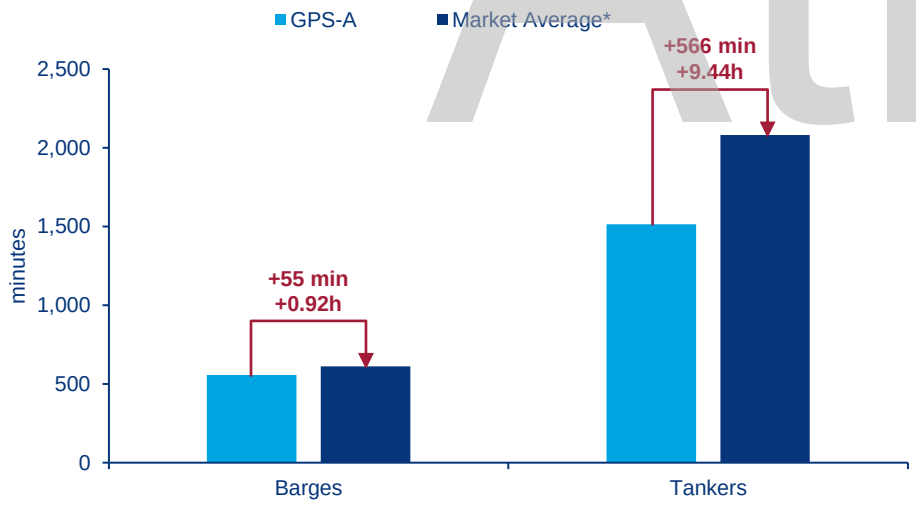


Source: Wood Mackenzie

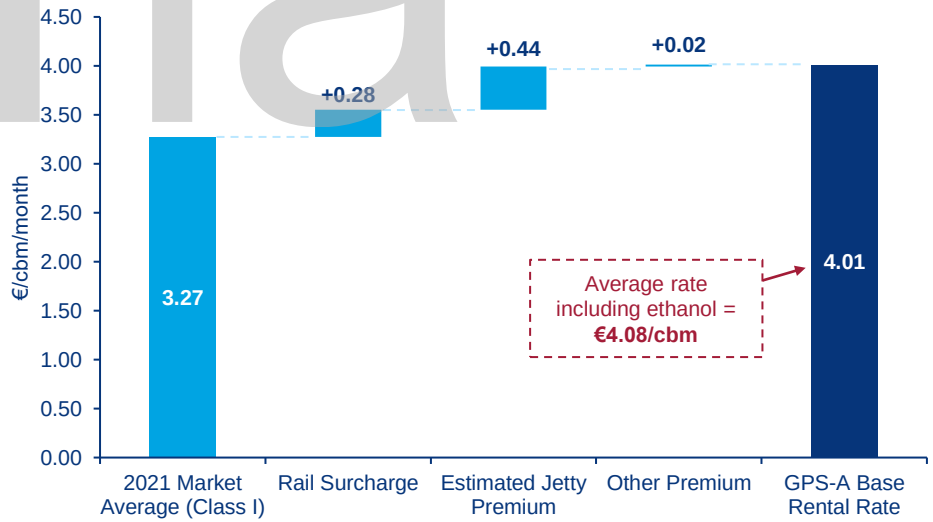
We expect GPS-A to maintain a premium to average ARA Class I storage rates given rail access and dedicated berths, which reduce demurrage and costs associated with vessel waiting times

- As a single-user terminal, GPS-A provides the anchor customer will fully dedicated berths. This is a unique feature of the terminal, as vast majority of terminals in ARA are used by multiple parties. Unrestricted access to berths gives customers full flexibility over marine operations, minimising any waiting times, congestion issues, potential demurrage costs and allows to capture market opportunities quickly.
- We have estimated average vessel turnaround times for key competing gasoline terminals in Amsterdam (including EVOS West and EVOS East, Zenith, Exolum) to reflect the cost savings associated with higher berth availability and faster operations (Jetty Premium of €0.44/cbm).
- Additionally, GPS-A has contracted a rail surcharge that effectively increases the base rental rate by €0.25/cbm. Rail access for gasoline is limited in Amsterdam and existing rail capabilities are primarily for handling diesel flows.
- Remaining part of the premium can be attributed to extremely low product losses due to fixed roof tanks (as opposed to floating roof tanks) and all tanks being connected to a vapour recovery system which condenses and returns all product vapours to the blending pool.

Average Vessel Turnaround Times:



GPS-A Storage Rate Premium vs. Market *(2021 market conditions):*



**Simple average for EVOS West, Evos East, Zenith Energy, Exolum (i.e. main gasoline blending terminals in Amsterdam); data based on Wood Mackenzie's vessel geotracking information.*

Source: Project Tower VDR, Wood Mackenzie

Our base case inputs to the Business Plan assume VARO will remain at the terminal; however, we have also provided additional cases to sense-check viability of the business over the long-term

SCENARIOS:	KEY ASSUMPTIONS:	WOOD MACKENZIE COMMENTARY:
BASE CASE: **VARO remains at GPS-A over the long-term**	• Phase 1 & 2 throughput driven by existing VARO positions and local market fundamentals • Additional growth from Phase 3 (outbound ethanol supply) and rail capability (inbound component flow, flows to Germany and consolidation of VARO's supply)	• We expect VARO to remain at the terminal, given importance of the terminal to VARO's supply in the Benelux and France, as well as growing gasoline deficits in Germany and importance of ethanol supply to inland markets in Germany and Switzerland. We also expect VARO Energy to take advantage of gasoline deficits to increase its market share. • Additionally, the capacity has been developed specifically for Argos/VARO and expansions and transport capabilities have been coordinated with VARO. Varo also benefits from the terminal's dedicated marine infrastructure. • We have not identified any significant risks to VARO's position at the terminal and we are not aware of any competing storage positions (VARO's storage positions in NW France and in Hamburg are, in our opinion, complementary to flows from GPS-A).
SENSITIVITY CASE 1: **VARO leaves the terminal in 2025**	• Market-driven scenario reflecting typical ARA storage market conditions, i.e. average tank turns and implied throughput level, average ethanol blend rates and links to average market storage rates.	• The case reflects market conditions that would be achievable for GPS-A in an event of VARO not renewing its contract. • We have not speculated on potential future user and their profile (e.g. gasoline trader, surplus refiner, fuel distributor) and instead reflected average ARA market conditions. However, we would assume that the terminal would be used by a single customer and retain its premium for jetty availability (*the terminal is fully capable to handle two or more customers although some of the unique benefits of a fully dedicated facility would be lost*). • We have assumed that the terminal's value-add features, including dedicated ethanol capacity as well as rail and barge capability would also attract some distribution volumes.
SENSITIVITY CASE 2: **Accelerated Energy Transition**	• The case reflects market fundamentals for new fuels that could replace conventional gasoline/ethanol flows in the event of accelerated energy transition.	• The case reflects dynamics for Hydrotreated Vegetable Oils (HVO) and Sustainable Aviation Fuels (SAF), given a number of announced supply projects, existing and upcoming legislation as well as ease of transport of these products. • GPS-A has handled smaller volumes of HVO and bio-naphtha and these products are not expected to drive significant tank repurposing or CAPEX requirements, apart from separated piping and handling systems.

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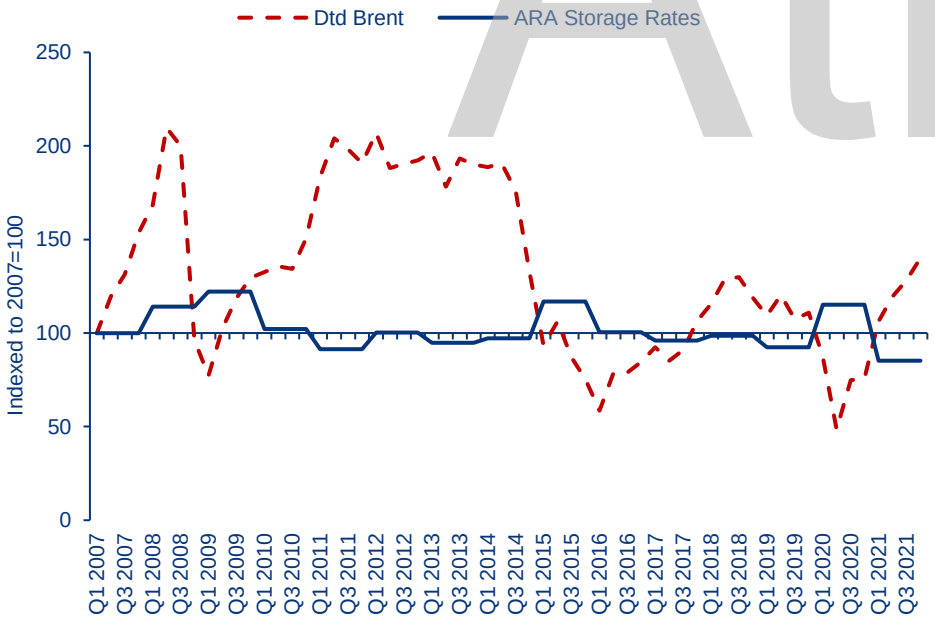
Storage infrastructure is characterised by cash flow stability and resilience to changes in commodity prices

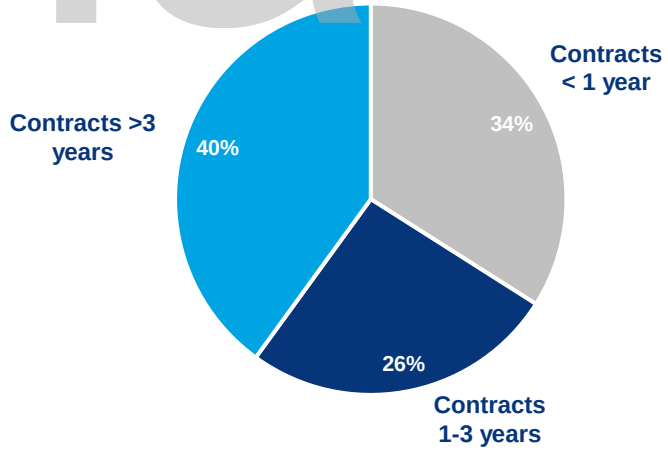
- Cash flows in the storage industry are typically more stable and predictable compared to the wider commodity sector as a significant portion of revenue is linked to long term contracts and not directly affected by commodity prices. As indicated in the example below, oil storage rates have not been affected by oil price movements and storage rates rose in 2009 and in 2020 despite declining oil and product prices, due to the tightness in the storage market.
- Storage rental rates are ultimately negotiated between the storage operator and the customer. This provides greater control over the revenues and also greater stability, as many contracts run for three years or more.
- Structural integration, value-add services e.g. blending capabilities and quality of service also contribute to 'stickiness' of customers and provide greater stability of revenues.

Changes in Storage Rates vs. Oil Prices:



Example of Contract Profile by Duration:

(As percentage of revenues)



Source: Argus, Petroleum Economist, Vopak, Wood Mackenzie analysis

The ownership model for oil storage is often defined by the amount of capacity offered to 3rd parties

100% of capacity available to 3rd parties ⟷ *100% of capacity used by the owner*

Independent Storage

- In independent facilities, capacity is made available to any market player, and customers are treated equitably and confidentially.
- Independent facilities are operated by specialised operators offering storage and handling services only.
- Majority of specialised and independent storage operators operate on a regional basis and the industry remains fragmented.

Semi-Captive Storage

- Use of semi-captive storage terminals may come with restrictions such as priority treatment for the main owner or trading arm of the holding company.
- Depending on location of terminals, semi-captive storage operators may operate fully captive terminals (e.g. driven by opportunities for their trading businesses) or may act as independent operators.

Captive Storage

- In captive facilities, storage capacity is used exclusively by the owner of the facility for own operations.
- Captive storage is often operated by IOCs and NOCs to support product distribution (e.g. import facilities to markets with significant fuel marketing operations).

There are various types of business lines available to a storage terminal; location-specific business lines provide highest revenue potential

Highly competitive environment

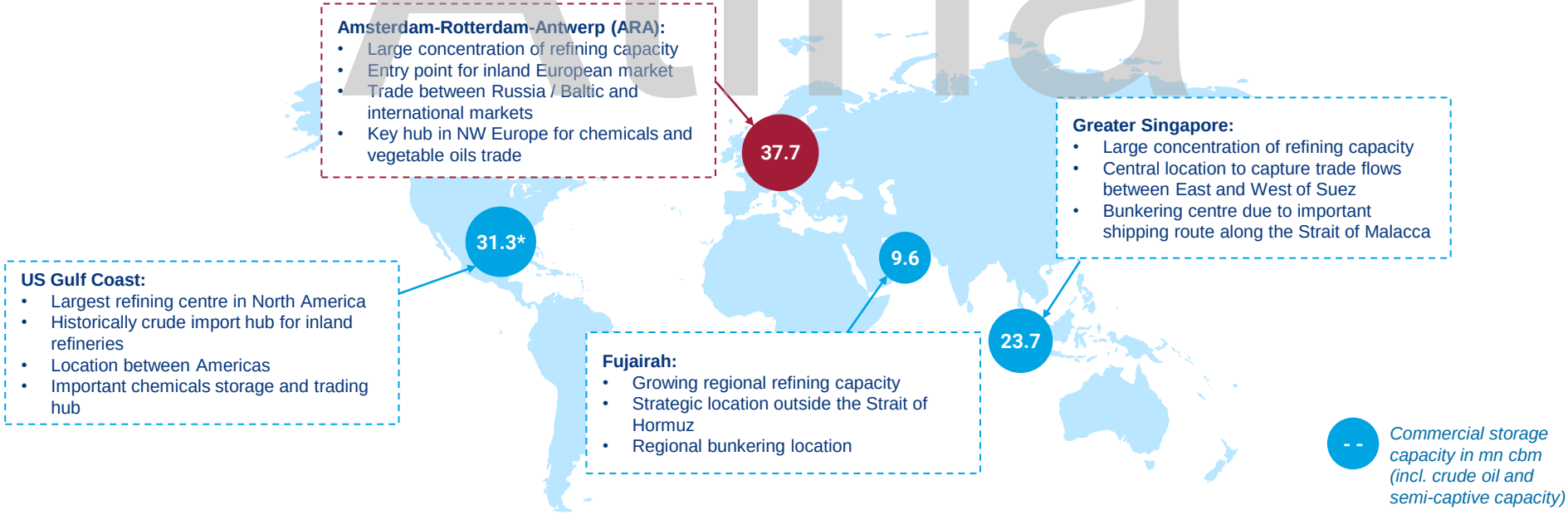
Low competitive environment

BUSINESS LINE:	KEY CHARACTERISTICS:	LOCATION:	TYPICAL CONTRACT:	
Contango Storage	• A contango market provides industry players with an economic incentive to hold inventory in storage to be sold in the future at a higher price. • Demand for contango storage is driven by future price structure.	• Not location specific. • Product is typically stored in locations which do not attract high trade volumes.	• Short-term (~1 year)	
Strategic storage	• Strategic storage are inventories typically held by government agencies for security of supply or as emergency reserves. • Strategic storage typically provides weaker revenue streams but is often secured on a long-term basis.	• Typically not location specific. • Product is typically stored in locations which do not attract high trade volumes.	• Long-term (>5 years)	
Trading / Hub storage	• Terminals located along major inter-regional trade routes and in trading centres take advantage of transshipment opportunities where traders make/break bulk. • Variations in product specs offer blending opportunities.	• Location specific. • Major trading hubs supporting inter-regional trade flows (e.g. ARA, Singapore, USGC, Fujairah).	• Medium to long-term (1-3 years)	Potential focus for GPS-A
Distribution (import/export) storage	• Distribution storage supports import/export and distribution flows, e.g. import terminals supplying deficit markets, terminals facilitating product exports from nearby refineries, or supporting local demand and distribution requirements.	• Location specific. • Locations with structural supply/demand imbalances requiring product imports or exports or distribution.	• Medium to long-term (1-3 years)	**GPS-A's Main Business Line**
Industrial / off-site storage	• Industrial/off-site storage refers to third party storage offered specifically to nearby industrial facilities, e.g. refineries, chemical plants, biofuel plants. • Terminals become an integral part of a customer's supply chain (supply of feedstock and product dispatch).	• Location specific. • In industrial clusters, typically integrated by pipeline with industrial complexes.	• Long-term (>5 years)	

ARA is the world's largest commercial storage location; players with storage positions in the ARA benefit from a large trading market, local supply base and hinterland connectivity

- The most successful global storage hubs (ARA, Singapore, USGC, Fujairah) have evolved based on a combination of market and local drivers. In our view, the key components of a storage and trading hub are:
  - Position on or close to major shipping and trading routes;
  - Price-discovery centre for a wide range of commodities;
  - Large number of players (traders, shippers, bunkering companies, refiners, fuel marketers and transport companies);
  - Local refining, chemical and biofuel concentration;
  - Efficient and transparent financial market and regulations;
  - Developed professional and trade services;
  - Access to large shorts and regional demand.

Global Storage Hubs and Key Drivers of Their Development:



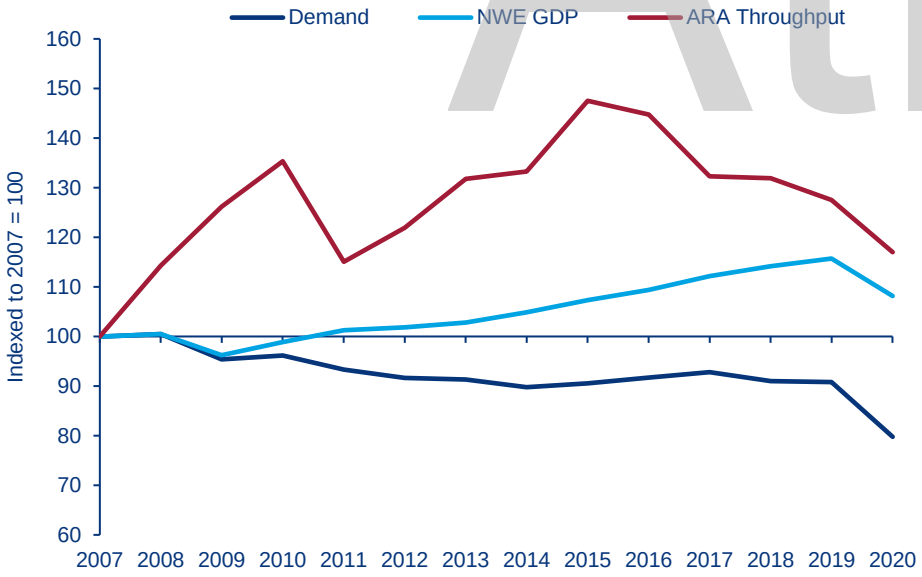
Source: Wood Mackenzie, TankTerminals

*Greater Houston Capacity only

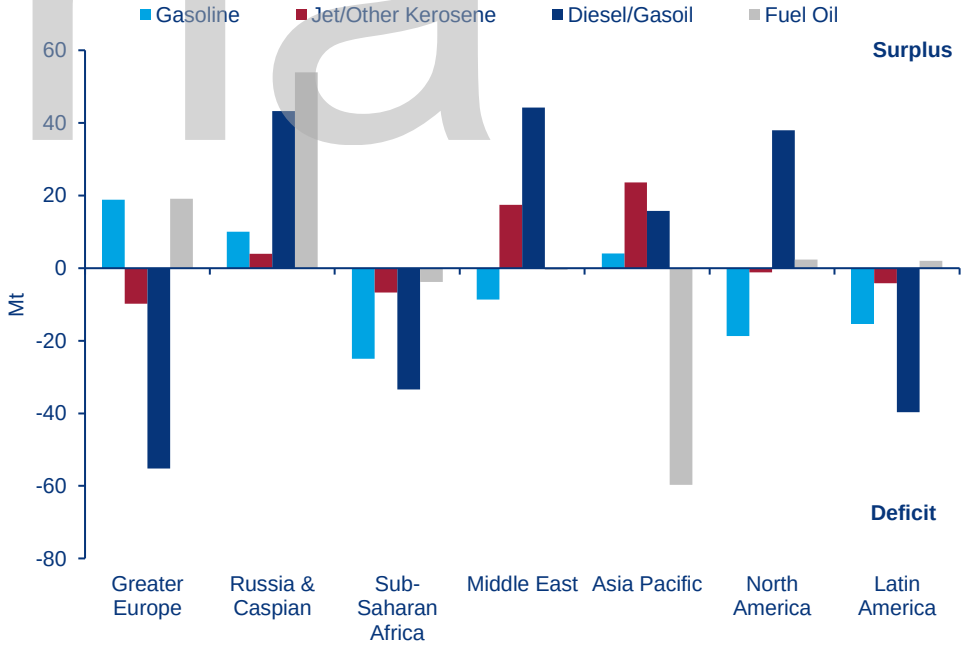
Product trade is the fundamental driver of the storage business; regional product imbalances are driving an increase in global trade and creating sustained demand for storage to facilitate trade flows

- Historically, oil product trade has been resilient to changes in demand and economic growth as trade flows are primarily driven by product imbalances created by structural differences between supply and demand of particular products.
- Regional imbalances have created structural trade patterns from surplus ('long') to deficit ('short') markets and storage infrastructure has played a critical role in enabling these product movements. Additionally, storage and trading hubs (such as ARA) serve as make/break bulk locations that facilitate trade by consolidating or redistributing smaller cargoes of products on a regional basis.
- Variations in product specifications and biofuel mandates also drive demand for storage and blending in hub locations.
- Apart from structural trade patterns, storage opportunities are created by price structure (e.g. contango market which provides an incentive to hold inventory) and market disruptions (e.g. recent Covid-related demand disruptions and resultant product oversupply).

Changes in ARA Throughput vs. NWE Demand and GDP:



2021 Regional Product Supply/Demand Balances:



Source: Wood Mackenzie

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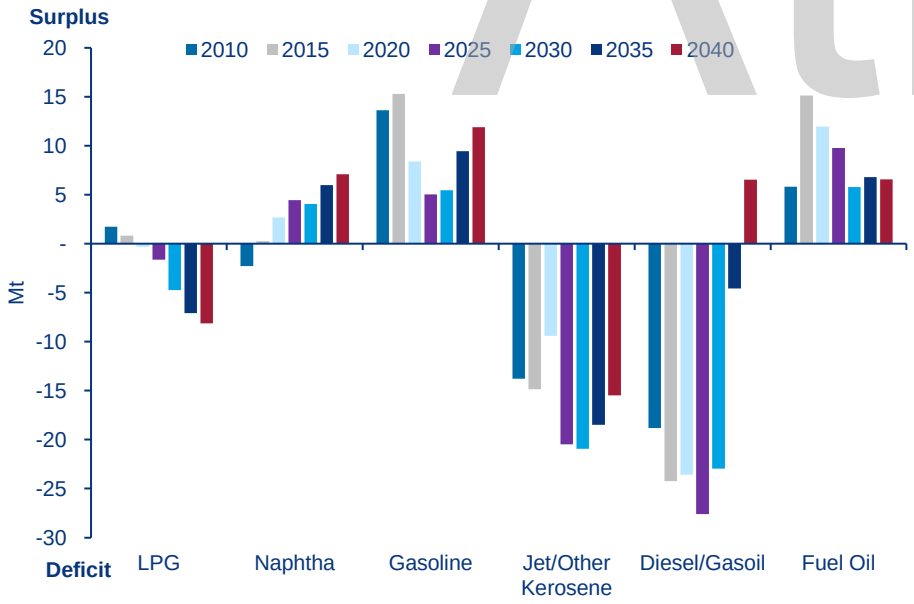
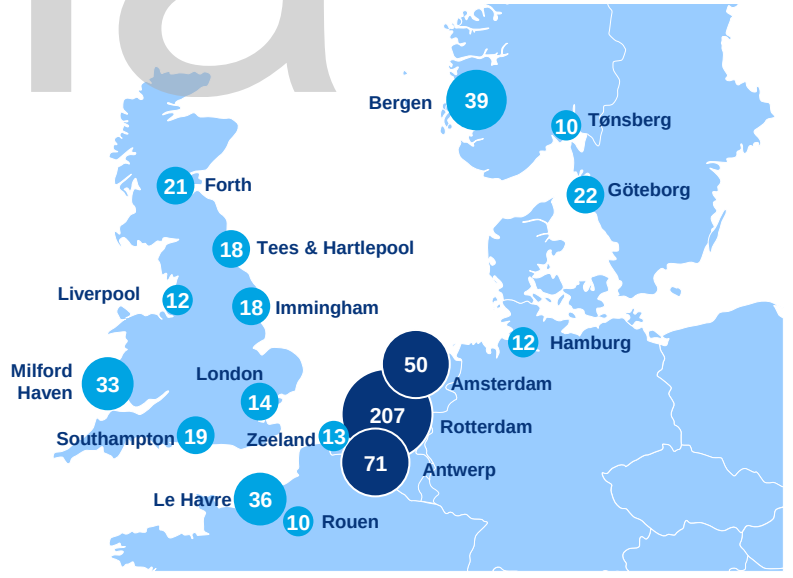
ARA is a key oil product trading hub for NW Europe facilitating trade driven by regional product imbalances and transshipment opportunities

- ARA's status is built on the concentration of refining capacity and a large amount of commercial storage to facilitate physical trading and regional redistribution (e.g. import into inland markets or export of surplus product), make- and break-bulk operations and blending.
- Oil product traffic through ARA has been rising strongly over the last decade as regional product imbalances increased significantly. ARA throughput has benefited from increasing surplus of gasoline and fuel oil in NWE (driving product exports through the ports) and growing deficit for diesel and jet/kero in the NWE (driving product imports).
- We forecast that a considerable product imbalance will remain in the region. Large surpluses of gasoline and a smaller surplus for fuel oil are expected to continue growing, with gasoline surpluses in particular growing rapidly through the 2030s as vehicle electrification dampens domestic demand.

NWE Oil Product Balance:



Liquid Bulk Throughput at Major NWE Ports (2019, Mt):



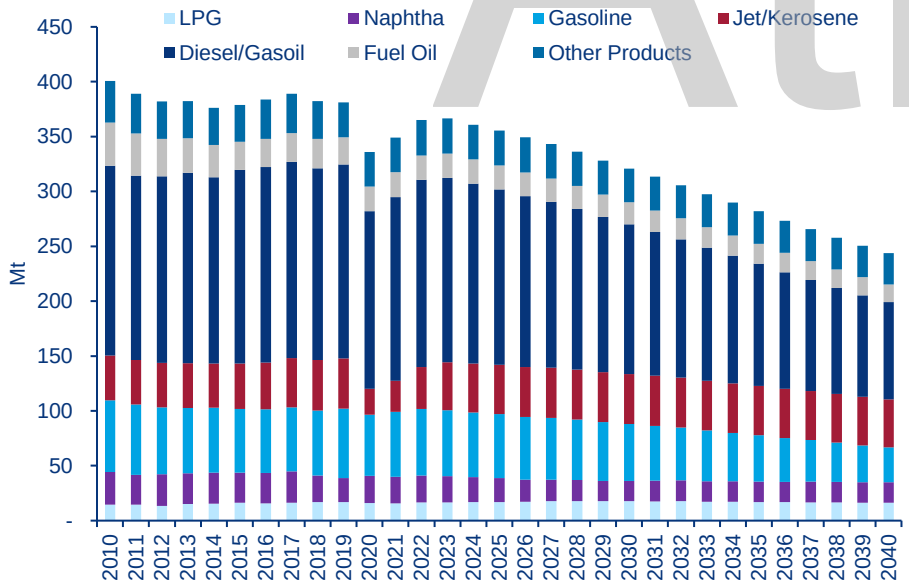
Note: Only ports with liquid bulk throughput >10Mt

Source: Wood Mackenzie, Eurostat

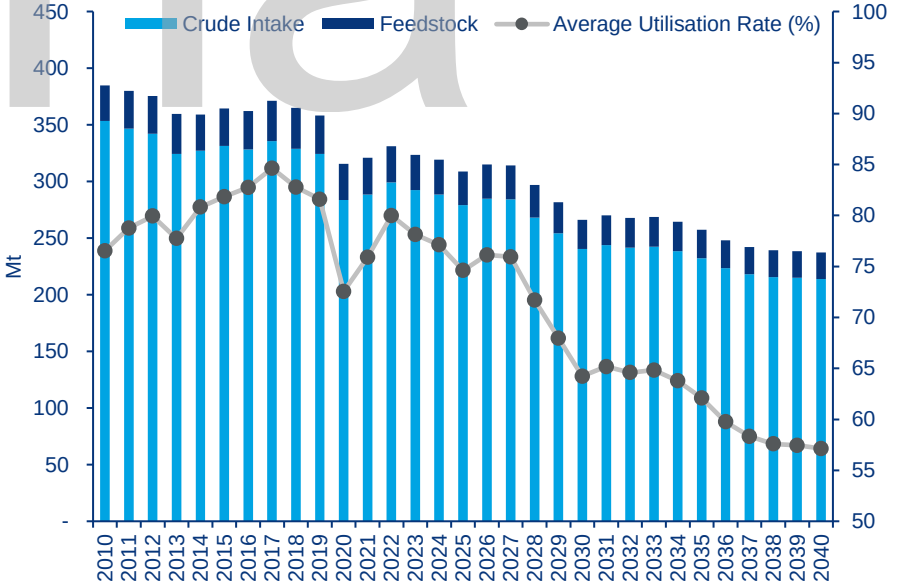
Demand declines due to increasing fuel efficiency and alternative fuels; refinery production stabilises after near-term rationalisation

- Northwest Europe is a mature energy market in which oil demand has been in structural decline, while environmental policies have continued ramping up towards a 2050 net zero carbon target. The EU has now finalised the 2030 fuel efficiency target for passenger cars at -37.5%, requiring a considerable ramp-up in zero emission vehicles sold in the EU by 2030, as well as the increasing mild hybridisation of conventional ICE engines.
- Over the longer term, demand in the road and marine transport sectors declines as a result of improving fuel efficiency and increasing displacement by alternative fuels.
- 2020 refinery utilisation is estimated to have fallen by ca. 10% as lockdowns across Europe in spring had curbed short-term demand, far overshadowing the underlying boost in run rates to increase distillate production to meet demand requirements from the IMO bunker fuel specification change. After a slight rebound in 2021 as oil demand recovers, we expect refinery utilisation in NWE to continue its declining trend, dipping below 80% after 2021 as global capacity additions outpace global demand growth. This indicates that some of the refining capacity in the region may face closure risks.

NWE Oil Product Demand:



NWE Refinery Supply:

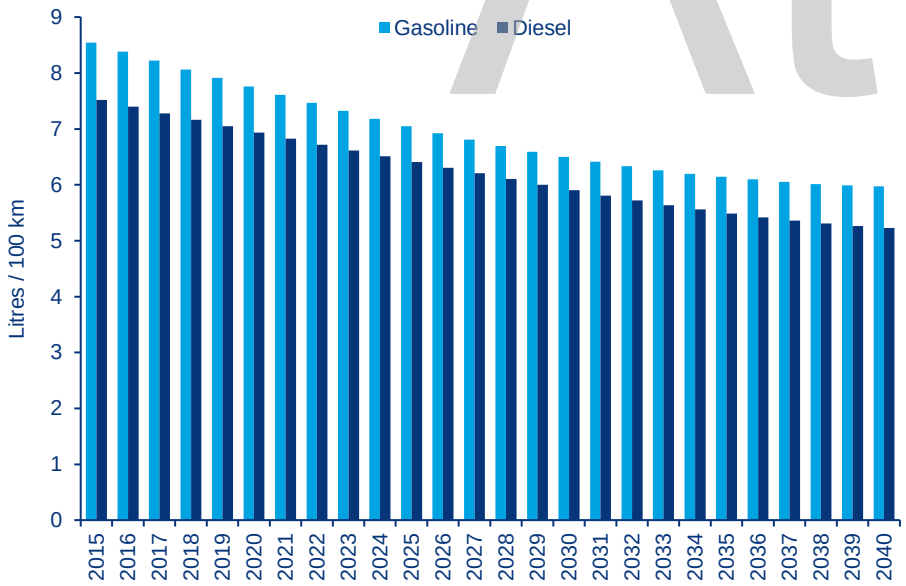


Source: Wood Mackenzie

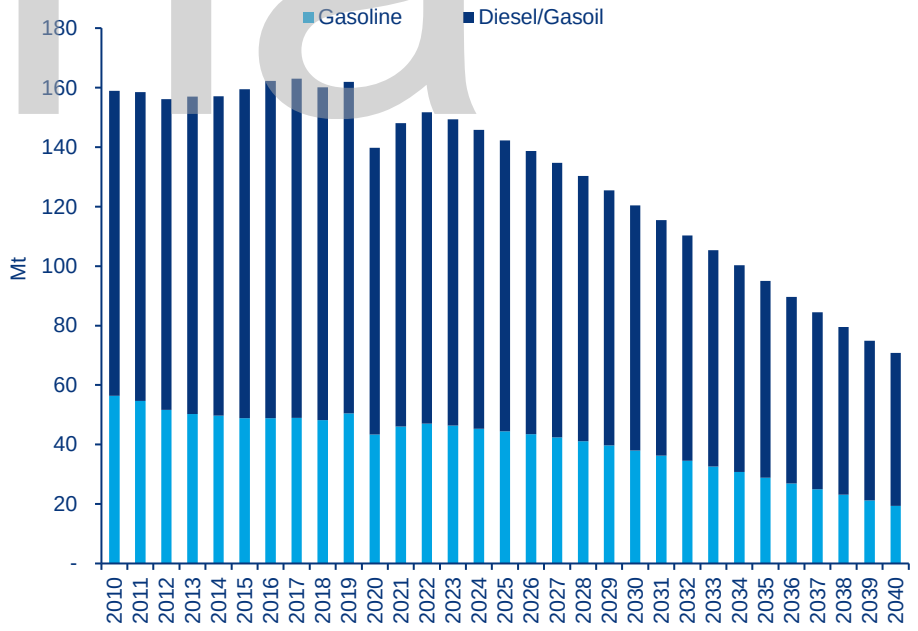
Mandated fuel efficiency gains are expected to be a key driver of declining road fuel demand in NW Europe in the medium term…

- Mandating fuel efficiency improvements is now a core focus of European efforts to encourage energy conservation, which is driving the improvements in vehicle fuel efficiency by car manufacturers. The European Union (EU) uses fuel efficiency standards increasingly as a policy tool for automakers to sell EVs. The EU has now finalized the 2030 fuel efficiency target for passenger cars at 37.5% over the 2021 levels. This is substantially higher compared with the initial proposal by the European Commission for a 30% improvement over this period.
- The 2021 target for new passenger cars has been set at 95g CO2/km, equivalent to around 4.0 litres/100 km. The waning popularity of diesel passenger cars, which have been more fuel efficient, combined with the surge in popularity of less fuel-efficient sports utility vehicles (SUVs), means that meeting the 2021 target has become more challenging. Nevertheless, most manufacturers are currently gaining an additional 1g CO2/km from eco-innovations, such as switching from halogen to LED headlights. Savings up to 4g CO2/km are now commercially available and deploying these eco-innovations in all new cars would mean the 2021 target could still be met.
- Wood Mackenzie estimates that the NWE car fleet fuel efficiency is expected to improve by between 1.5%-2% annually over the next 5-10 years, with gasoline expected to narrow the gap with diesel slightly.

NW Europe Average Fuel Efficiency:



NW Europe Road Transport Demand:

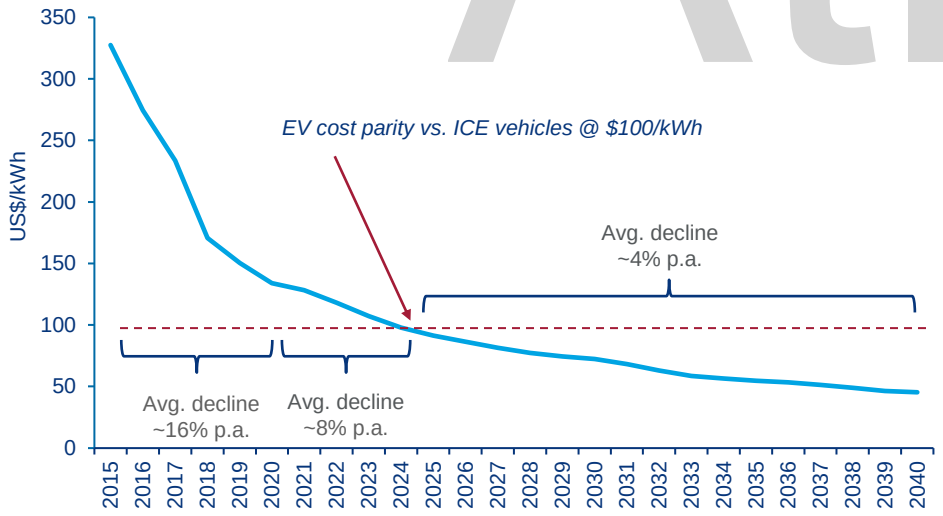


Source: Wood Mackenzie

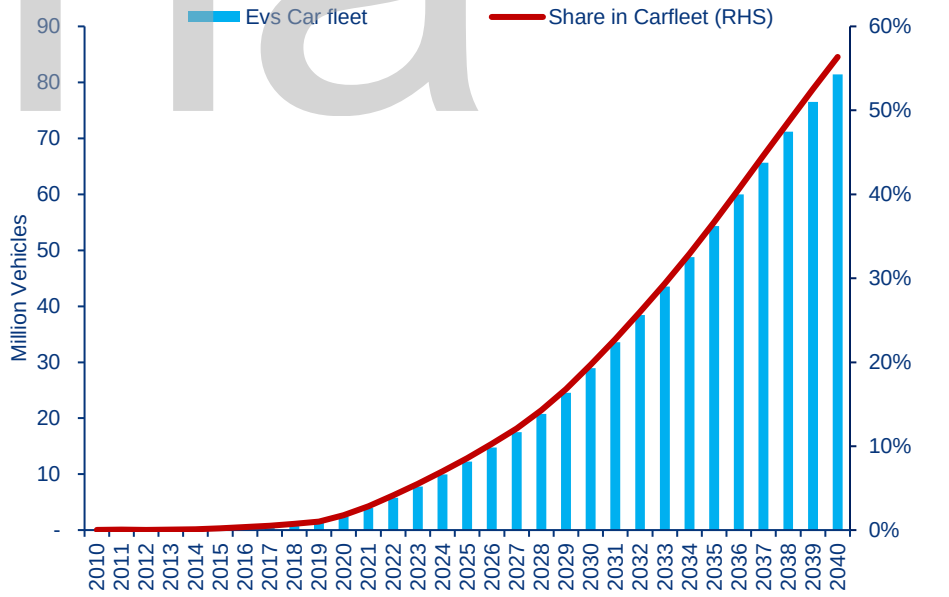
…further supported by EV adoption in the longer run with falling battery costs driving a sharp rise in EV penetration in the light vehicle market

- EVs currently account for just over 3% of new car sales in Europe, with hybrids accounting for just under 5%. This market share is relatively similar across Europe, with the exception of Norway, where EVs had accounted for as much as 75% of all car sales in 2020, prompted by supportive government policies including exemptions from 25% VAT and road taxes. The Netherlands and Belgium have year-to-date EV sales penetration rates of approximately 13% and 8% respectively.
- As battery technology has matured rapidly over the past 5 years alongside production scale-up, we expect that battery costs will breach the US$100/kWh barrier around 2024, widely considered the inflection point where EVs become cost competitive with Internal Combustion Engines (ICE) on a total cost of ownership basis without subsidies.
- While 2020 saw a reduction in total car sales due to the coronavirus-induced economic slowdown, EV sales penetration rates have continued rising despite the higher upfront costs. We anticipate that EVs will start to dominate sales of new passenger cars in Europe. The pairing of autonomous driving technology with EVs would lead the establishment of transport-as-a-service networks across Europe in the 2030s, and is expected to further accelerate EV vehicles' penetration rate. By 2040, we expect that EVs will account for 56% of all new car sales, with more than one in three cars on European roads being electric.

EV Battery Cost Forecast:



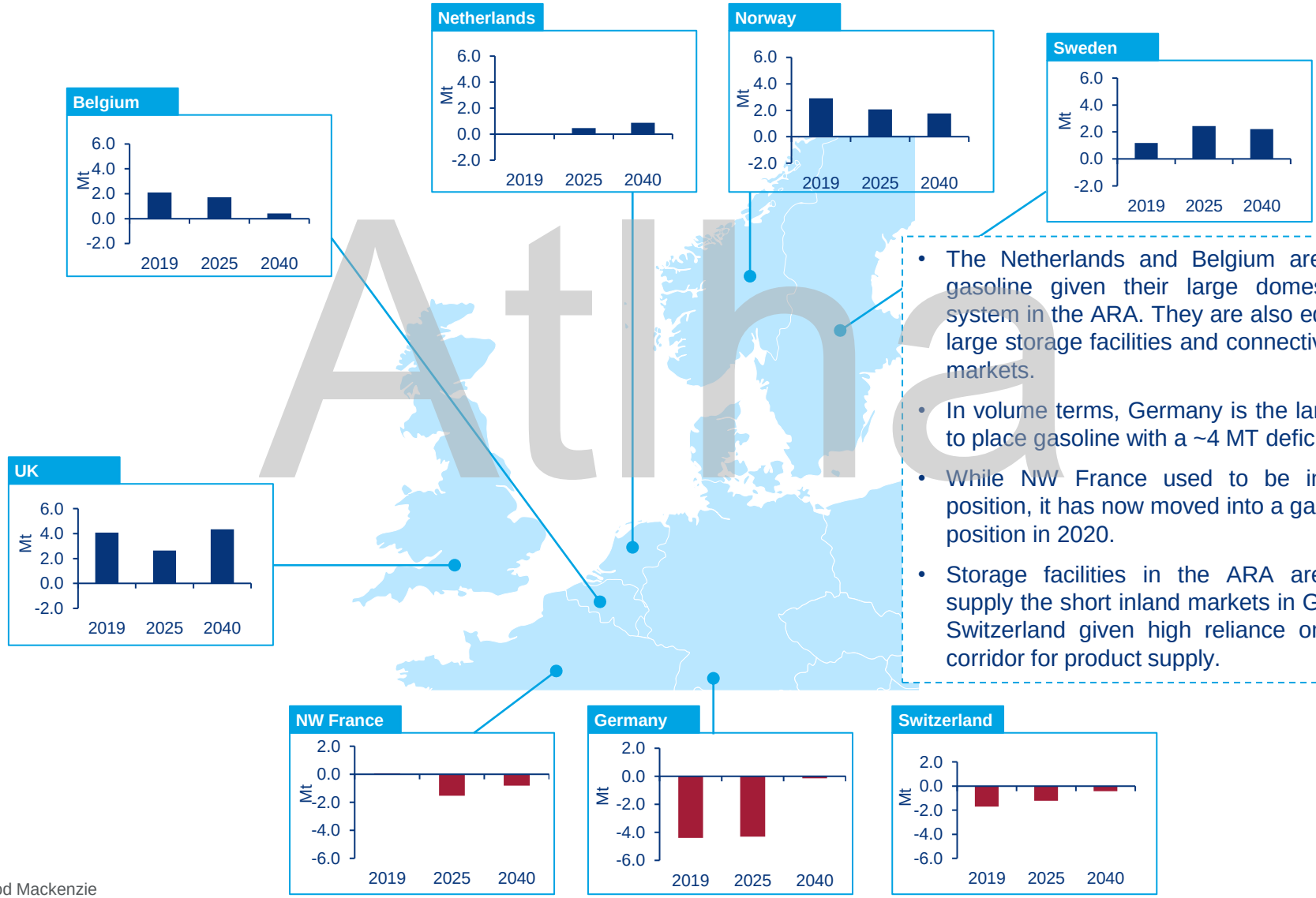
NWE EV* Car Stock:



*Conventional Hybrids Included in Diesel/Gasoline Vehicle Types, Plug In Hybrids Included in EVs
Source: Wood Mackenzie

Regional differences in gasoline surpluses and deficits create trading and storage opportunities

NWE Gasoline Balances by Country:



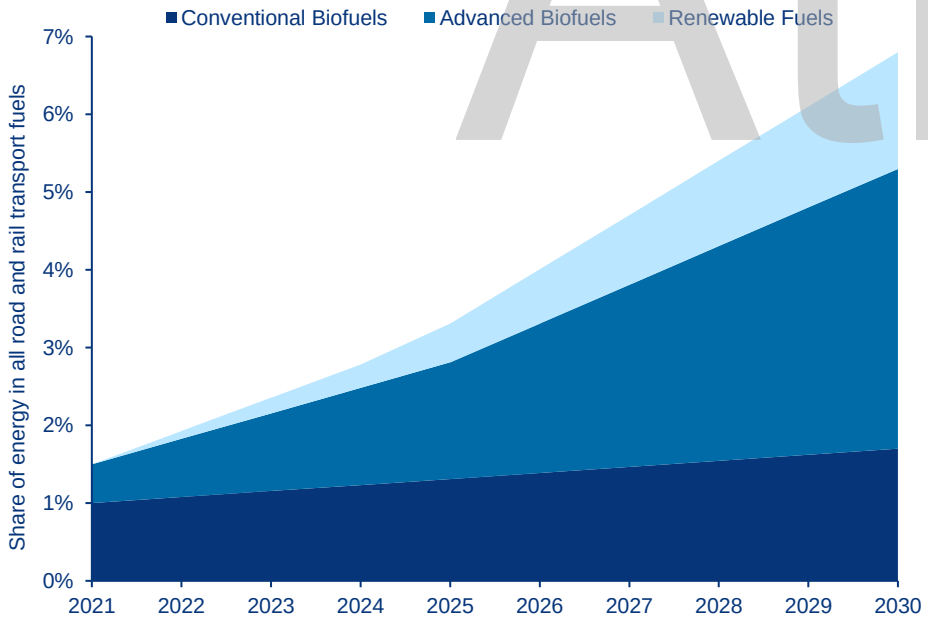
- The Netherlands and Belgium are surplus in gasoline given their large domestic refinery system in the ARA. They are also equipped with large storage facilities and connectivity to inland markets.
- In volume terms, Germany is the largest market to place gasoline with a ~4 MT deficit.
- While NW France used to be in a surplus position, it has now moved into a gasoline deficit position in 2020.
- Storage facilities in the ARA are crucial to supply the short inland markets in Germany and Switzerland given high reliance on the Rhine corridor for product supply.

Source: Wood Mackenzie

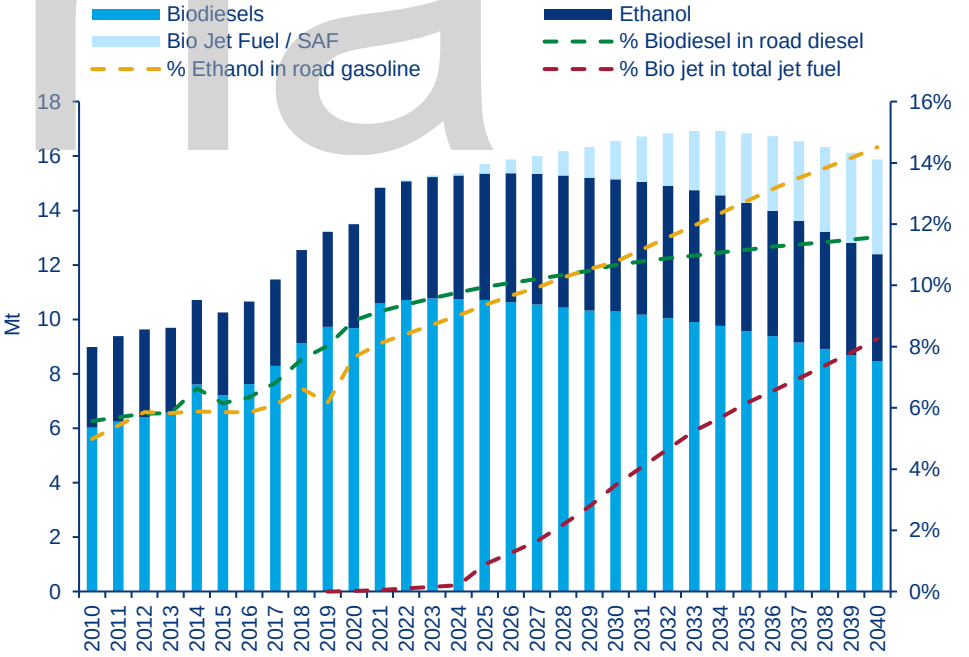
Regulations around biofuels will be pivotal in reducing emissions from the road sector

- In 2018, EU's Renewable Energy Directive (RED) II laid out targets for the transportation sector and renewables energy between 2021 to 2030. An overall renewable energy target of 32% by 2030 and a 14% target for the transportation sector has been set.
- The directive caps the share of conventional biofuels for each Member State to 1% above consumption levels in 2020, limited to an overall cap of 7% cap of final consumption of road and rail transport. It also sets targets for the use of advanced biofuels, which will increase to 3.5% by 2030.
- "Conventional" biofuels are defined as crop-based while "advanced" biofuels defined as non-crop based. In addition, advanced biofuel feedstock can be divided between "Part A" or "Part B". Part A refers to biofuels produced from agricultural and forestry by-products while Part B refers to biofuels produced with waste fats and oils (e.g. used cooking oil and tallow). "Part B" produced biofuels can be double counted towards the RED II targets. In addition to the RED II, the indirect land use change (ILUC) directive was implemented in 2015. The directive states that biofuels produced from cereal and other starch-rich crops, sugars and oil crops is limited to 7% of the final consumption of energy in transport in 2020.

Targets Set Under RED II (above 2020 levels)**:**



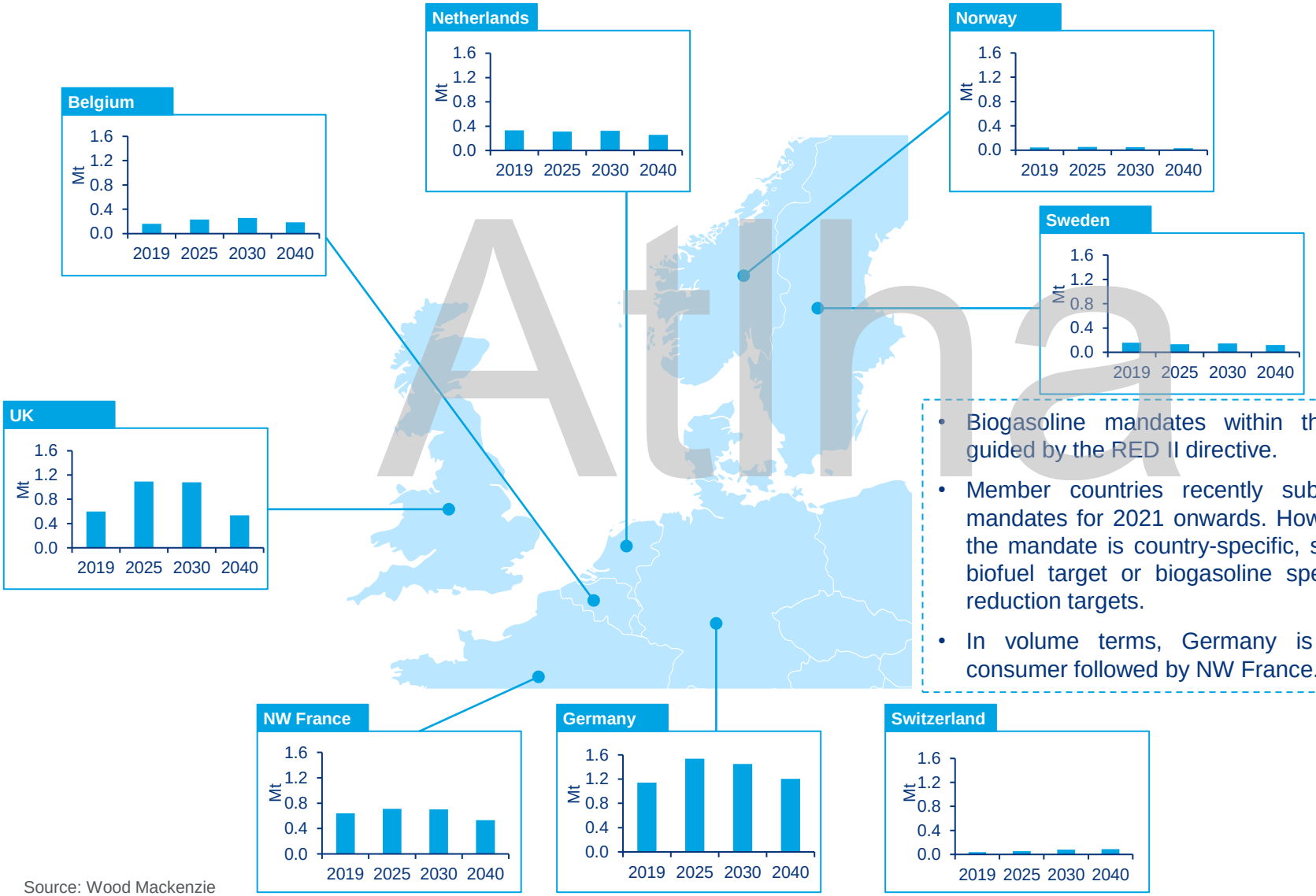
NW Europe Biofuel Demand:



Source: Wood Mackenzie

Country-level mandates in biogasoline consumption will drive ethanol trade and blending requirements

NWE Ethanol/Biogasoline Demand by Country:



- Biogasoline mandates within the EU countries are guided by the RED II directive.
- Member countries recently submitted their updated mandates for 2021 onwards. How they choose to meet the mandate is country-specific, so it can be through a biofuel target or biogasoline specific targets or GHG reduction targets.
- In volume terms, Germany is the largest ethanol consumer followed by NW France.

Source: Wood Mackenzie

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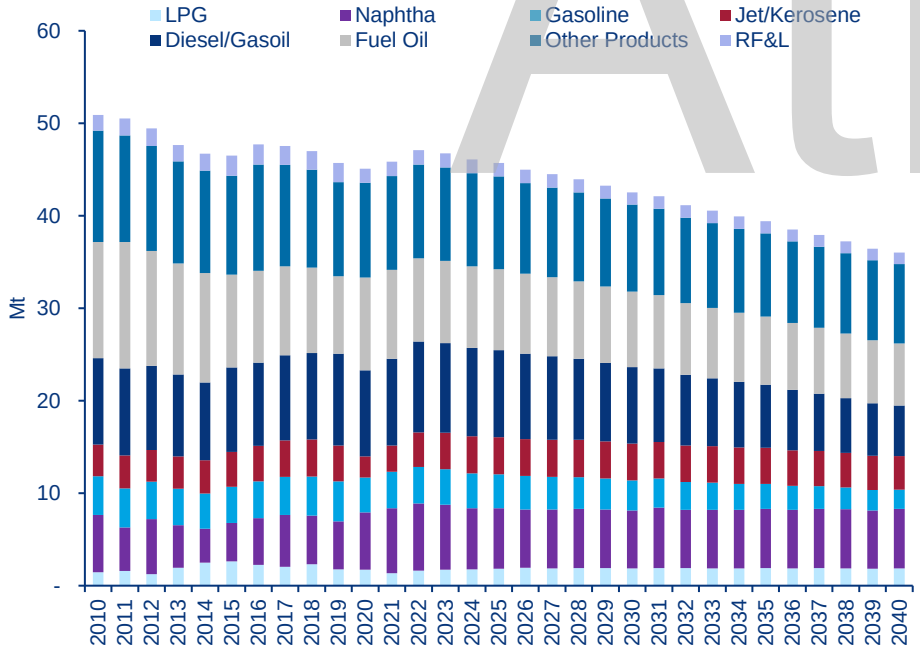
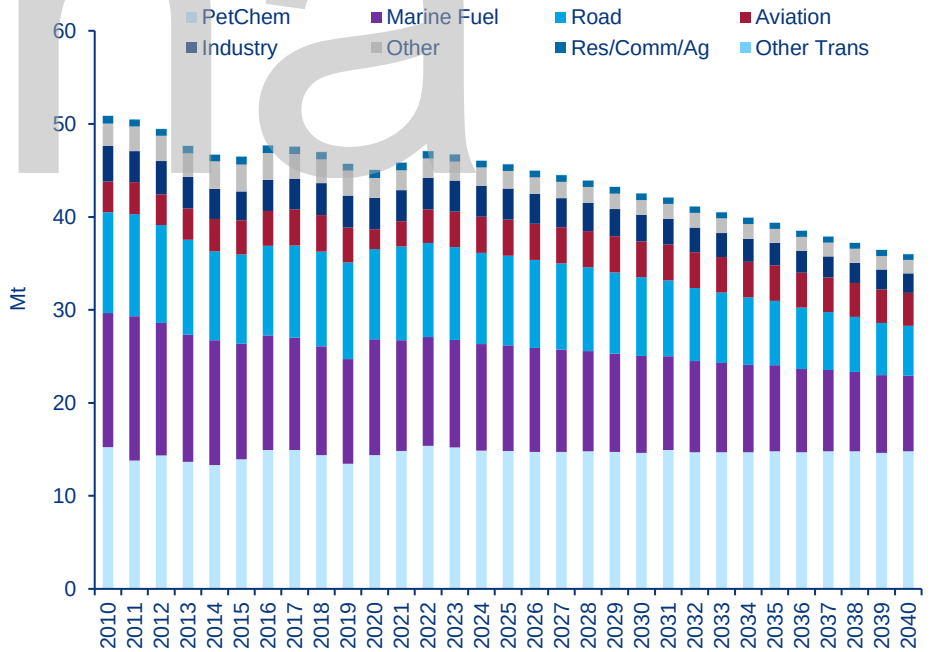
Overall product demand in the Netherlands is expected to start declining from 2023 due to increasing electrification and fuel substitution

- Product demand in the Netherlands is primarily driven by the petrochemical, marine fuel and road sectors. Petrochemicals is the only sector expected to see continued growth in demand which will be offset by decreases across most other industries.
- The Port of Rotterdam holds its position as one of the world's largest shipping centres drives demand for fuel oil and gasoil. However, boosts to gasoil demand from IMO in 2020 will only sustain demand until the medium term when alternative fuel sources such as LNG penetrate the bunkering market.
- While gasoline-powered cars are favoured over diesel ones, buildout of EV charging infrastructure has been much faster in the Netherlands as compared to other European countries. Hence, we expect a quick adoption of EVs combined with gains in fuel efficiencies to dampen gasoline road demand.

Netherlands Oil Demand by Product:



Netherlands Oil Product Demand by Sector:

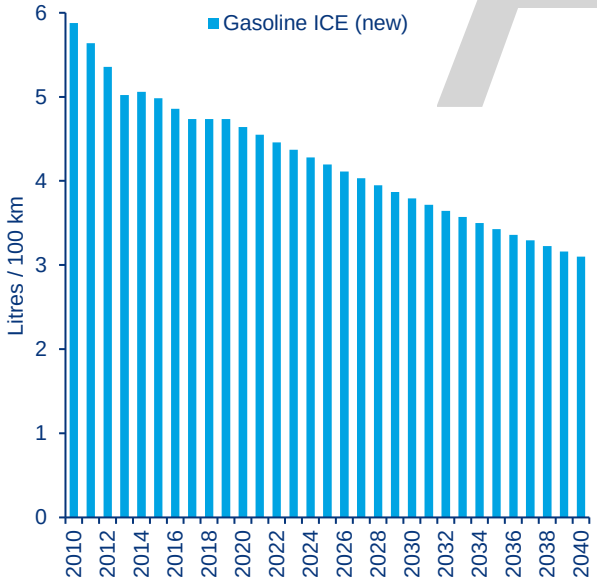


Source: Wood Mackenzie

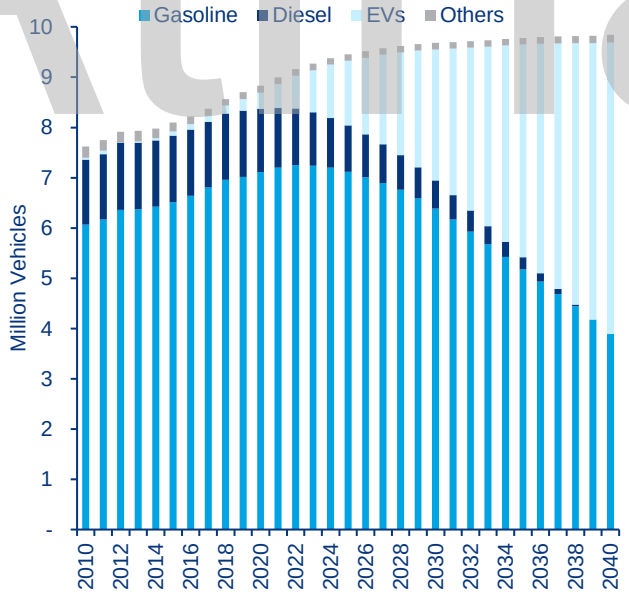
As the Netherlands has one of the most developed EV charging networks in Europe, we expect a quick adoption of EVs to displace gasoline car sales

- Vehicle road tax in the Netherlands favours gasoline vehicles over diesel cars and consequently gasoline cars still account for >80% of the passenger car fleet.
- However, EV charging infrastructure is also developing rapidly in anticipation of an increase in sales. In 2019, there were already more than 40,000 EV chargers in the Netherlands which is more than a quarter of all charging points in the EU. In addition, the government also has several incentives such as exemption from road tax for five years, no luxury car tax and lower income tax for companies.
- With ready charging infrastructure and financial incentives in place, we expect EV car sales to quickly displace gasoline cars in the car parc. Hence, gasoline demand is forecast to decrease from the sustained demand observed historically.
- Additionally, mild hybridisation of the gasoline fleet as part of the next stage of energy efficiency improvements to meet increasingly challenging fuel efficiency targets will also contribute to decreases in gasoline.
- Overall, gasoline demand in the Netherlands is forecast to decrease from 4.0 million tonnes in 2019 to 3.4 million tonnes in 2025 and 1.8 million tonnes in 2040.

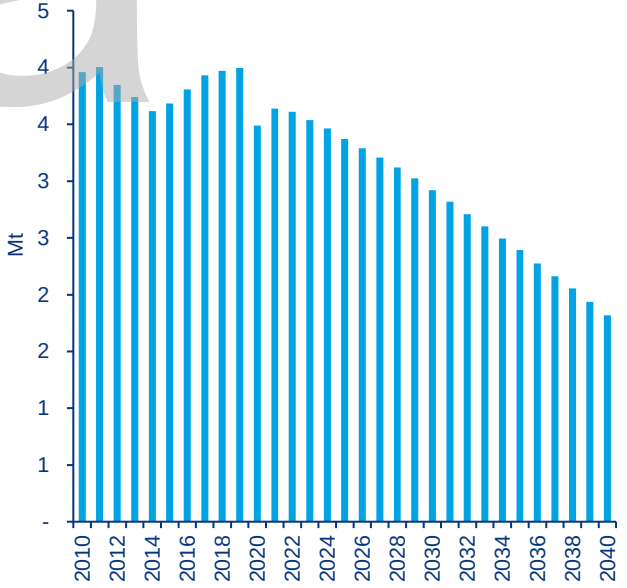
Netherlands Fuel Efficiency for New Cars:



Netherlands Passenger Car Parc:



Netherlands Gasoline Demand:



Source: Wood Mackenzie

Fuel distribution into the domestic market relies primarily on transfers from domestic refineries and ARA storage terminals

Netherlands Downstream Infrastructure

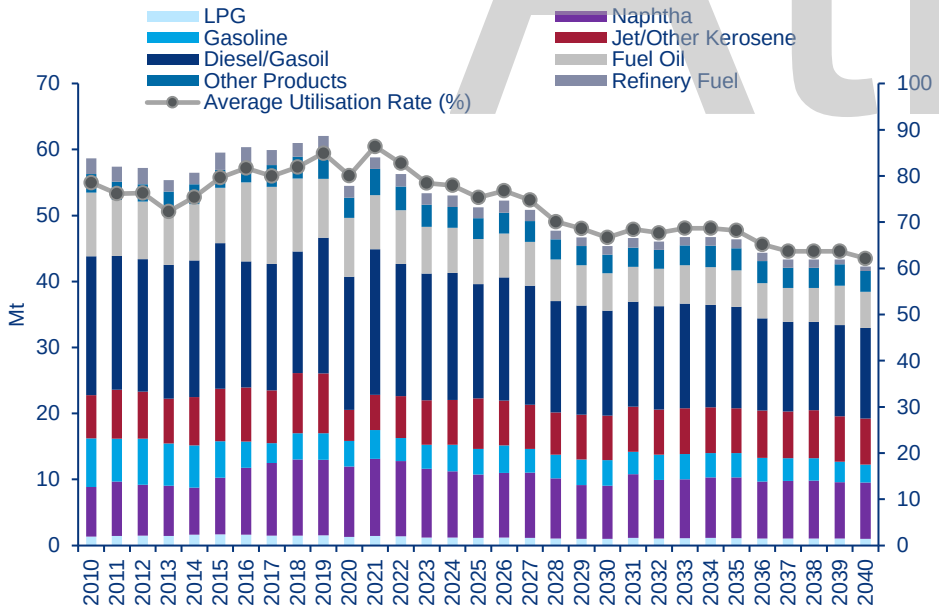
- The Netherlands has five major fuels refineries, with four in the Rotterdam area and another near the Belgian border. There is also a small condensate processing facility in Rotterdam owned by Vitol.
- The refining industry is dominated by two very large-scale refineries (Shell Pernis and BP Rotterdam) which account for over 60% of total refining capacity in the Netherlands. ExxonMobil and Total also have presence in refining, along with Vitol and Lukoil.
- Most recently, Gunvor closed the crude units of its refinery at Rotterdam in anticipation of challenging market conditions and focused on desulphurization and blending of gasoline.
- Aside from refinery-based road delivery terminals, most of the fuel marketing companies use distribution depots throughout the country.
- Almost all major players active in the Dutch market use the Varo Energy network which consists of eight depots (Amsterdam, Roermond, Geertruidenberg, Zwolle, Wageningen, Utrecht, Hengelo and Cuijk).
- There are large product flows transiting through the Netherlands either by pipeline or along the Rhine. On the other hand, fuels into the domestic market are also sourced from refineries and terminals Germany and Belgium.
- The principal products pipeline system in the Netherlands is the Rhein-Main (RMR) pipeline which extends from Pernis into Germany via Venlo.

Source: Wood Mackenzie

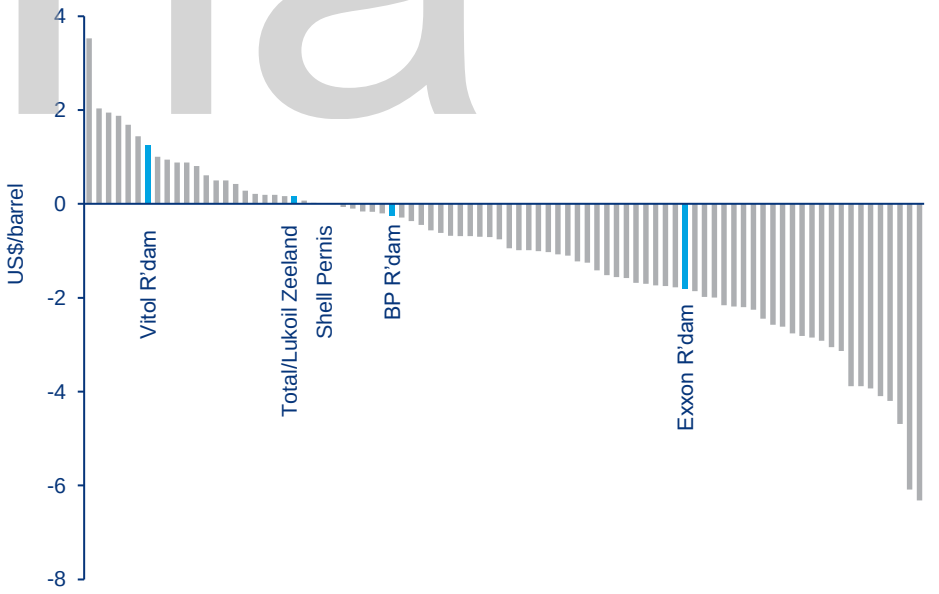
Refinery utilisation rates are forecast to decrease to 60% from the recovery levels in 2021 of 86%

- The Netherlands have fairly competitive refineries that mostly place in first or second quartile in terms of margin performance. Vitol's refinery is a small condensate splitter producing primarily naphtha for petrochemical producers as well as some gasoil. The Shell Pernis and Exxon Rotterdam refineries are both petrochemical integrated while the BP Rotterdam refinery is a standard FCC producing mostly diesel followed by gasoline and jet.
- Given the integration of refineries and terminals in the Netherlands with neighbouring countries, the local market is less exposed to international pressures of competitive refineries than other locations in NW Europe.
- Nonetheless, we forecast utilisation rates to decrease from the recovery levels in 2021 to 60% by 2040 due to the structural decline in oil product demand in NWE. However, due to the global surplus refining capacity, there is a risk of closure for relatively weaker refineries in NWE. As a result, more competitive refineries still operational in NWE may result in higher utilisation rates than the forecast 60%.

Netherlands Refinery Supply:



Netherlands Refinery vs European Net Cash Margin, 2021:

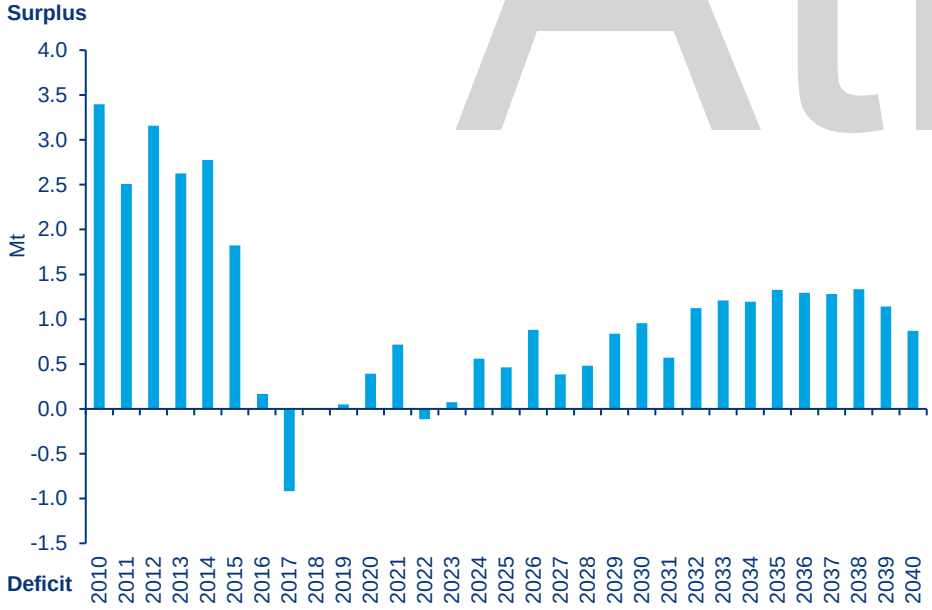


Source: Wood Mackenzie

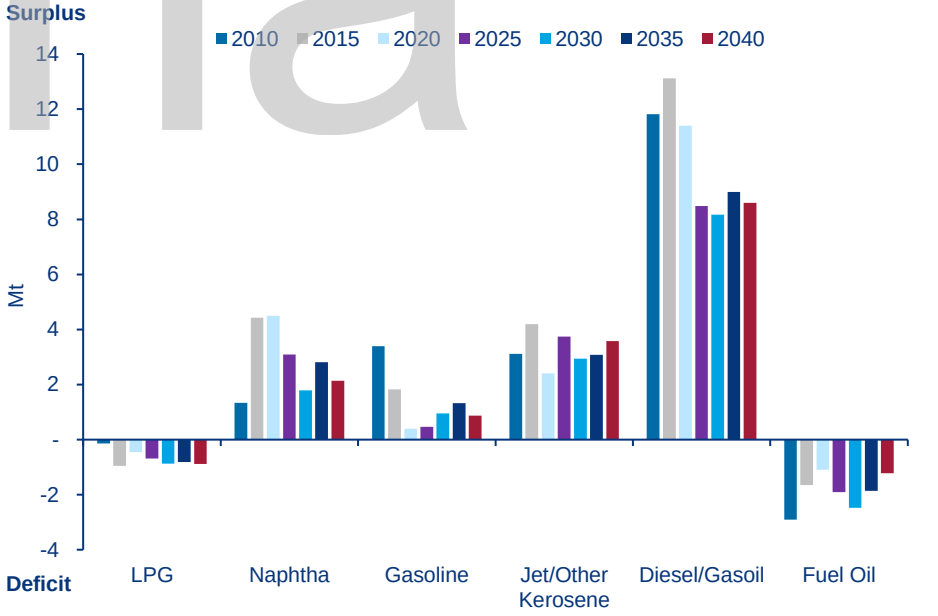
The Netherlands' position as a major exporter means that it is structurally surplus in all key refined products

- The Netherlands is a surplus refining market and declining demand is expected to further increase surplus positions. However, declining refinery runs are also expected to limit the overall imbalance.
- The gasoline surplus in the Netherlands is relatively smaller compared with the country's position in distillate products. We expect that the balance will support deficits in neighbouring markets as well as provide additional supply source for gasoline blenders in the ARA.
- Gasoline exports are primarily destined for the US East Coast, West Africa and Latin American markets; however, majority of these volumes are blended from streams from other NW European refineries as well as from sources in Russia and the Baltics.
- Large refiners, such as BP and Shell are well integrated along the Rhine and view the balances in the Benelux and Rhine as an integrated value chain, which supports clearing excess product from their refineries in the Netherlands.

Netherlands Gasoline Balance:



Netherlands Oil Product Balances:

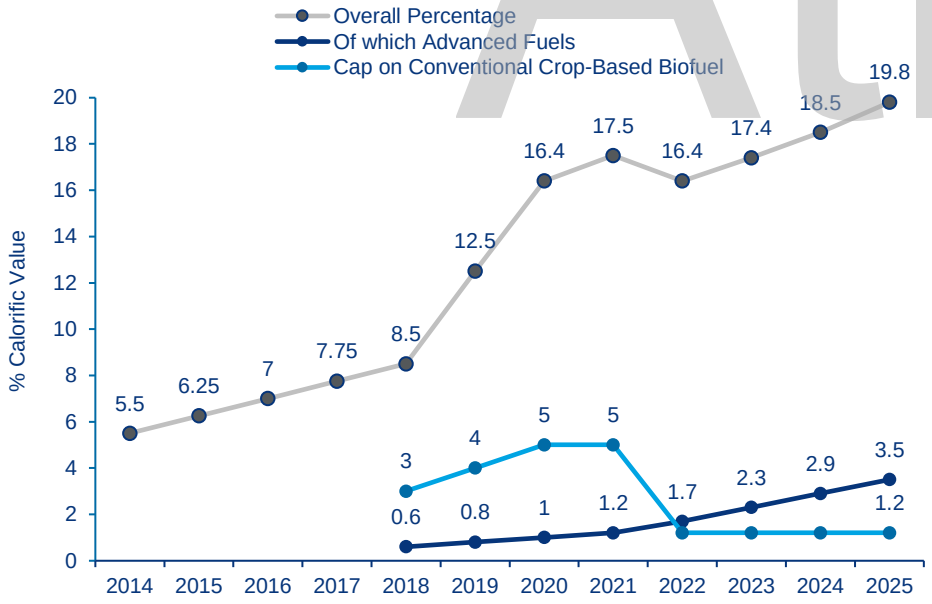


Source: Wood Mackenzie

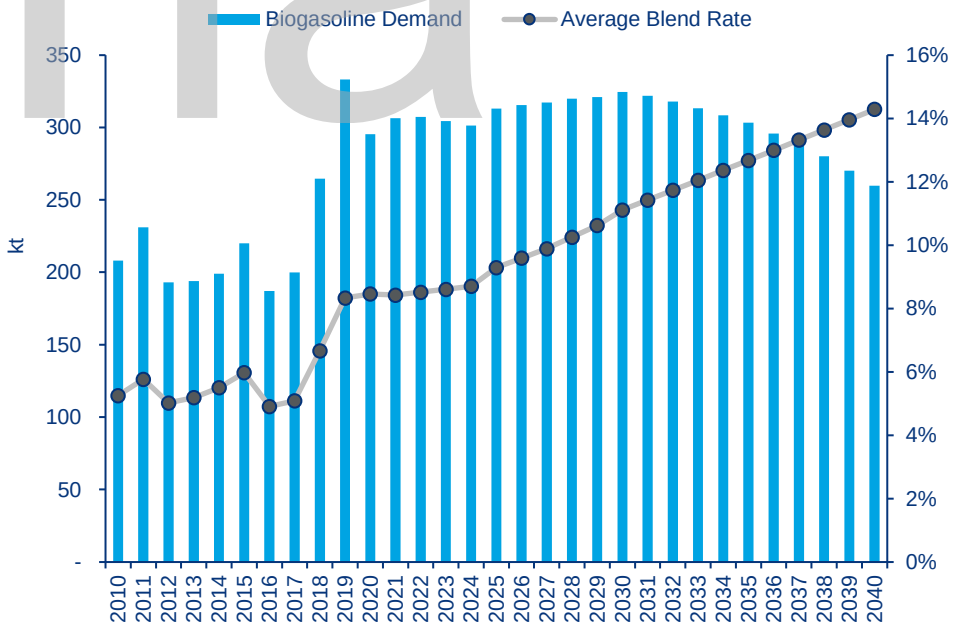
The Netherlands is Europe's fourth largest biogasoline market that is supported by domestic ethanol production and rising biofuel targets

- Unlike several other countries in NWE, the Netherlands do not have a fuel-specific bio-mandate. Instead, it has an overall blend mandate for biofuels which can be achieved either through the use of biogasoline or biodiesel. Additionally, there is a cap on conventional crop-based biofuels and a minimal blending commitment towards advanced biofuels. Local regulations also allow for double counting of biofuels produced from wastes and residues.
- With a greater emphasis on vehicle emissions and meeting increasingly stringent environmental targets, there are various initiatives to support transition to alternative fuels. Since October 1, 2019, Dutch distributors are required to offer E10 at their stations with at least half of the offered blends being E10. E85 is also promoted and may be used in select vehicles.

Netherlands Biofuel Mandates:



Netherlands Biogasoline Demand:



Source: Wood Mackenzie

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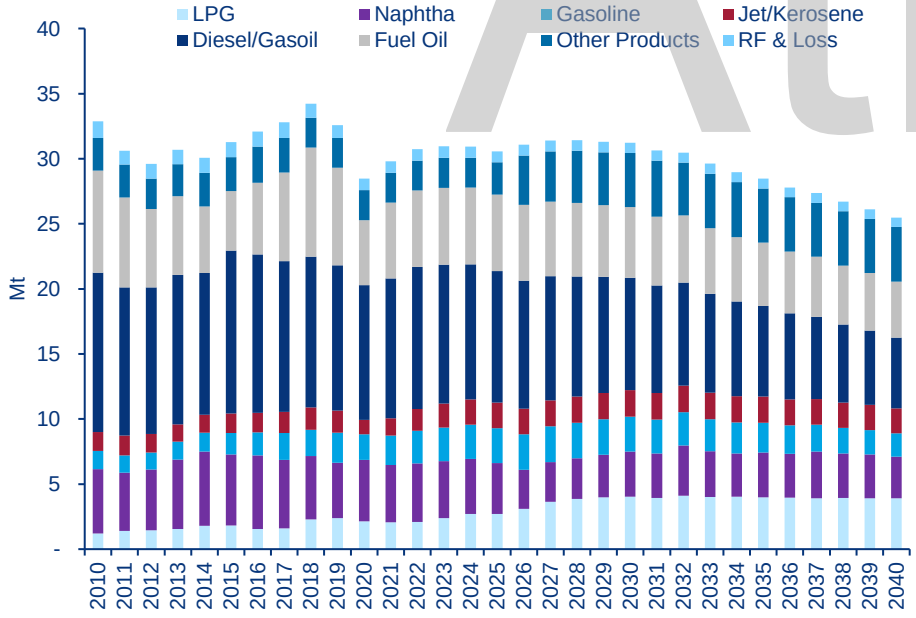
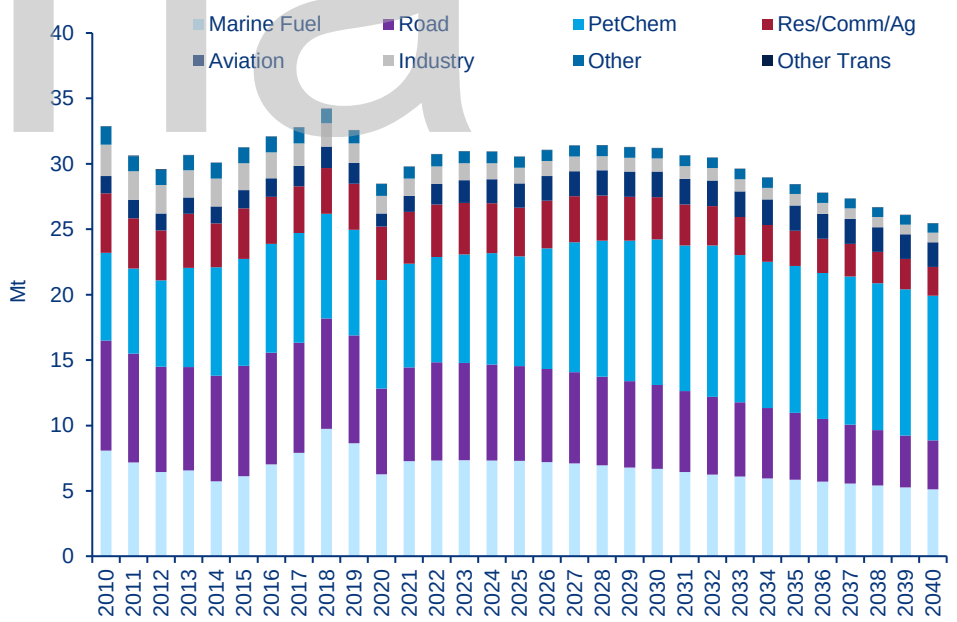
Belgium's overall oil product demand is forecast to recover in the near-term; long-term declines are primarily driven by fuel switching away from diesel

- Belgian oil demand has fluctuated around 25-30 Mt for the past decade and is expected to remain in this range through to the mid-2020s. Year-on-year fluctuations are influenced by winter weather patterns and the resultant changes in demand for heating gasoil.
- Belgium's oil demand is primarily driven by the marine fuel sector and large road fuel and heating market. As a result, diesel/gasoil represents a significant portion of the country's product demand.
- Dieselisation of the passenger car fleet was particularly pronounced in Belgium, but there has been a pivot towards gasoline-powered cars since then the removal of tax breaks.
- As a result, we forecast gasoline demand to be supported by growing uptake of gasoline vehicles while diesel demand continues to decline in the road transport sector.

Belgium Oil Demand by Product:



Belgium Oil Product Demand by Sector:

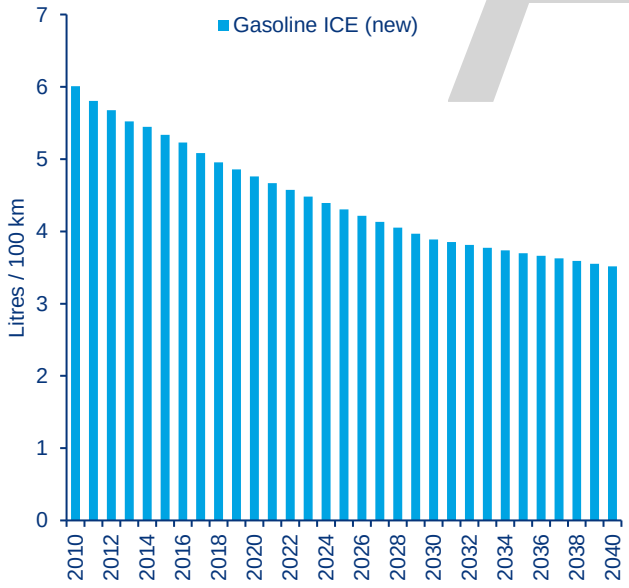


Source: Wood Mackenzie

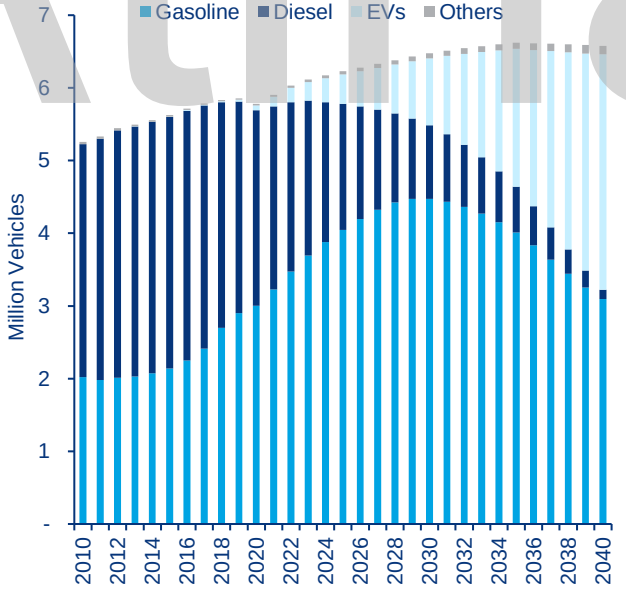
Unlike most parts of NW Europe, we forecast growth in the gasoline-powered car parc, which will support gasoline demand until the 2030s

- There was rapid dieselisation of Belgium's car fleet but this trend peaked at 80% towards the end of the last decade. This trend was partly driven by lower pump price for diesel due to a lower excise duty than that on gasoline, however, this tax advantage was removed in 2018. As such, there has been a rise in recent years in gasoline vehicles.
- We expect the number of gasoline-powered cars to continue increasing following the removal of the tax advantage on diesel. As such, we forecast gasoline demand to grow until the 2030s despite gains in fuel efficiencies.
- Post 2030, we forecast gasoline demand to decline as the car fleet shifts towards alternatively powered vehicles. We expect that a mild hybridisation of conventional gasoline vehicles will be essential as a means of meeting the post-2021 fuel efficiency standards.

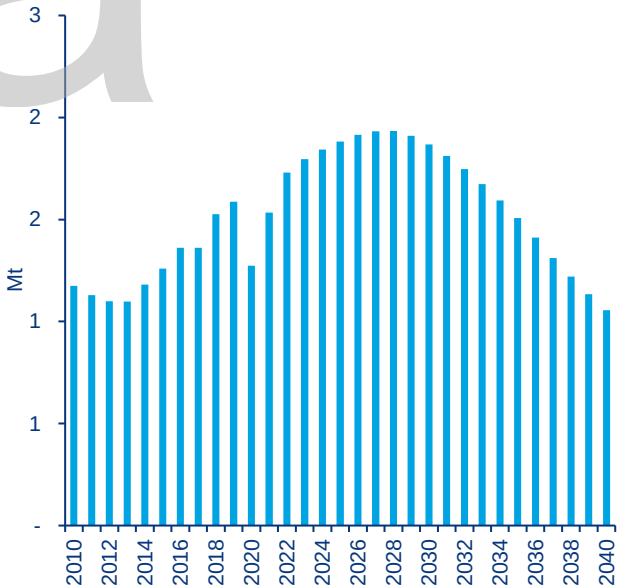
Belgium Fuel Efficiency for New Cars:



Belgium Passenger Car Parc:



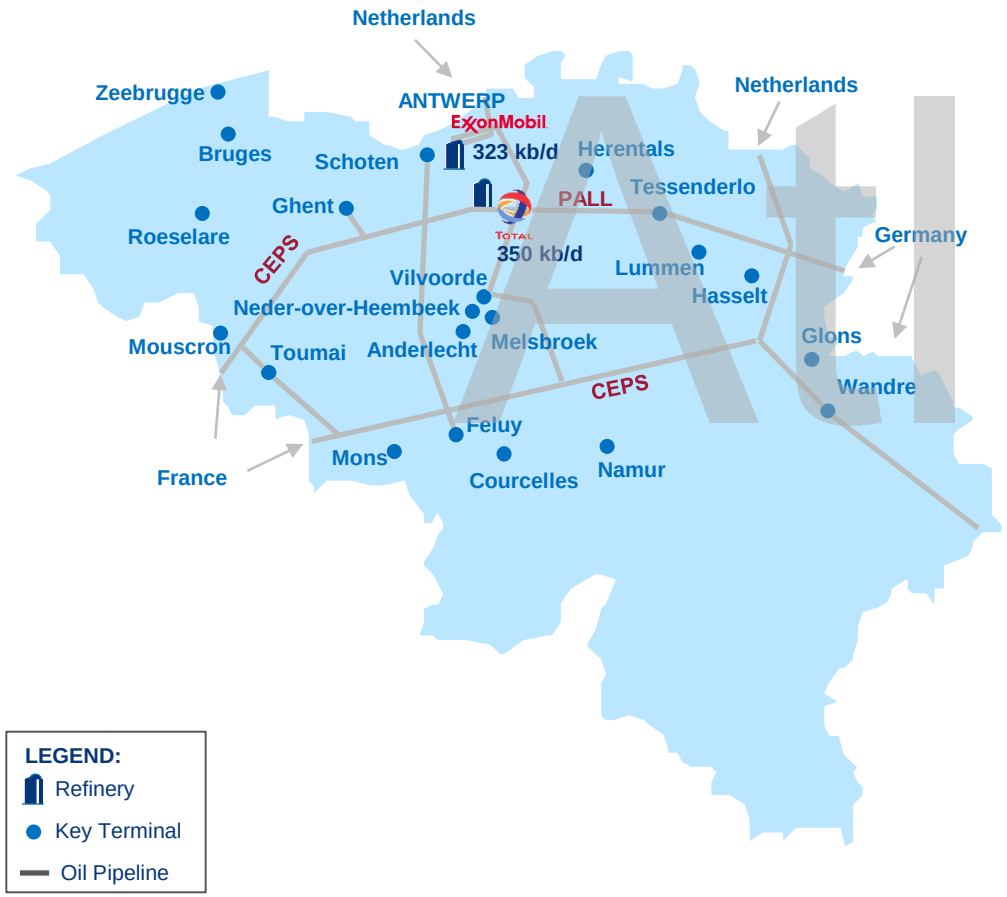
Belgium Gasoline Demand:



Source: Wood Mackenzie

The country's refining capacity is based in Antwerp, a dense network of depots, often supplied by barges and trucks supports product distribution

Belgium Downstream Infrastructure:



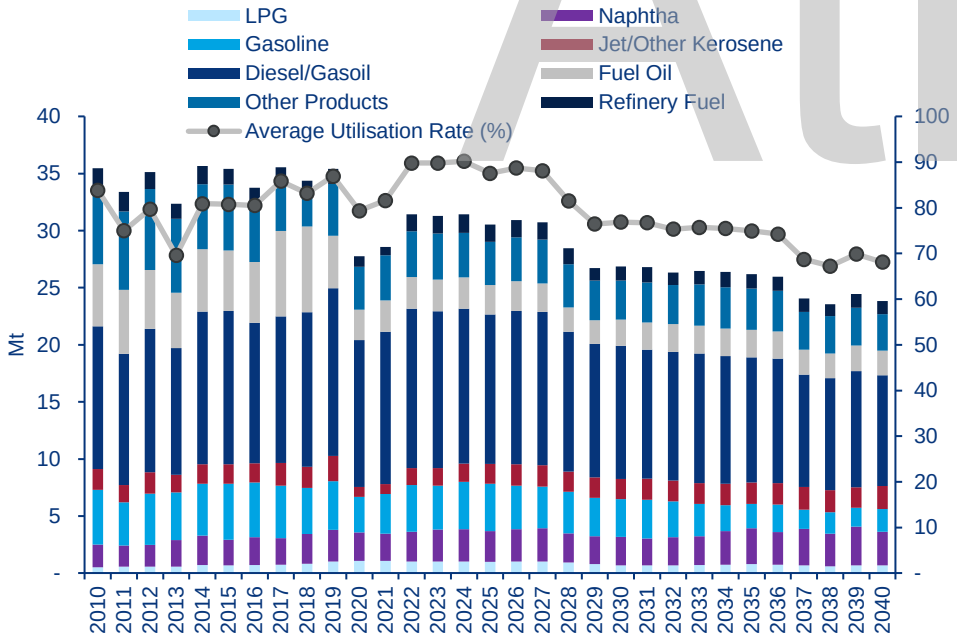
- Belgium has two major fuel refineries by ExxonMobil and Total totaling 673 kb/d.
- Until April 2021, Gunvor was operating a 110 kb/d refinery in Antwerp which was mothballed due to poor economics. Similarly, Vitol announced closure of its bitumen processing unit in October 2021.
- Supply from the refineries and storage terminals is dispatched to the inland market mainly by barge from Antwerp but also by road trucks. Railways play a smaller role in product exports from Belgium.
- Product pipelines, on the other hand, are transporting jet fuel and naphtha. Therefore, their role in overall product distribution is relatively limited.
- Belgium has an extended and dense terminal network; companies are often using each other's outlets to supply their nearby retail stations. Cross-border business is ordinary in the region as well. Distributors from Northeast France are regularly lifting products from adjacent Belgian terminals in Roeselare and Tournai. Also, Feluy and Sclessin terminals can offer help in supplying retail networks in Luxembourg.
- The dense network also makes retailers able to be flexible. It is essential, especially in an exceptional event. In 2018, for example, yellow vest protestors barricaded the way to some terminals, but distributors were able to reroute their trucks and ensure that service stations' operation remained smooth.

Source: Wood Mackenzie

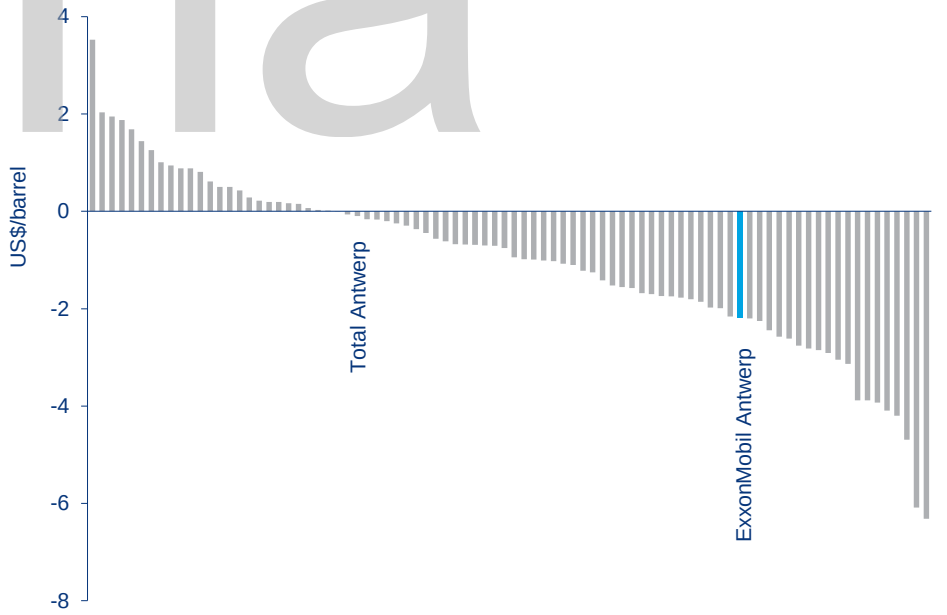
Refineries in Belgium are expected to see higher utilisation rates due to strong petrochemical integration

- Total's Antwerp refinery is a large-scale supersite and a key refining asset for Total. It has an extremely competitive configuration after its heavy upgrading in November 2017. The refinery is further enhanced by integration with both petrochemicals and the industrial site at Feluy. Consequently, it has a marginally negative NCM but is balanced by the profitability on its petrochemicals site.
- ExxonMobil's Antwerp refinery has a reasonably competitive configuration that is enhanced not only by integration with petrochemicals but also by the very strong degree of integration with ExxonMobil's Rotterdam refinery. The refinery has a low gasoline yield due to the petrochemicals interface and a small FCC unit. In addition to petrochemicals, it also manufactures bitumen. Similar to Total, low profitability from oil products is offset by petrochemicals.

Belgium Refinery Supply:



Belgium Refineries vs. Europe Net Cash Margin, 2021:

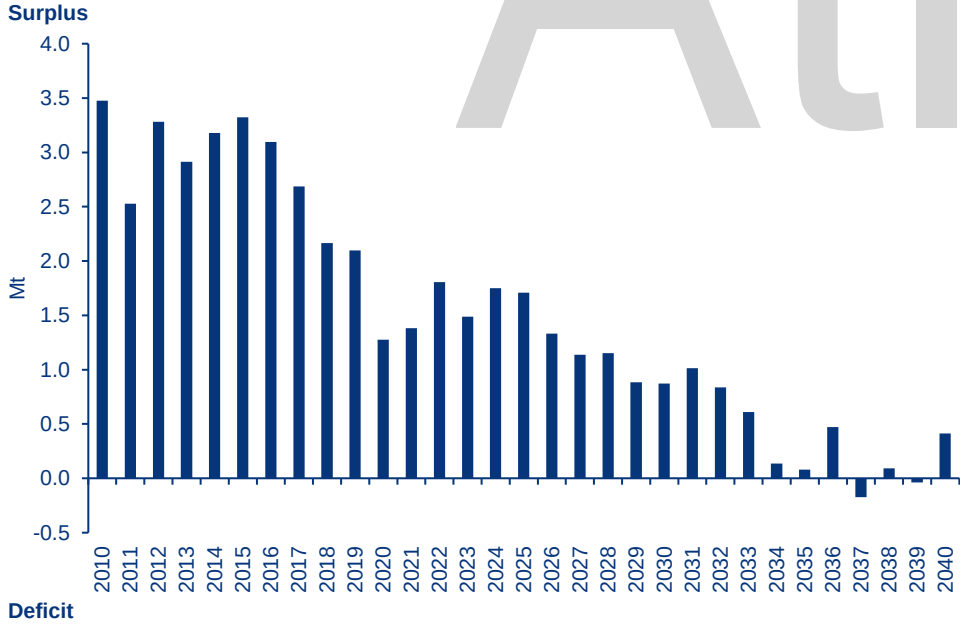


Source: Wood Mackenzie

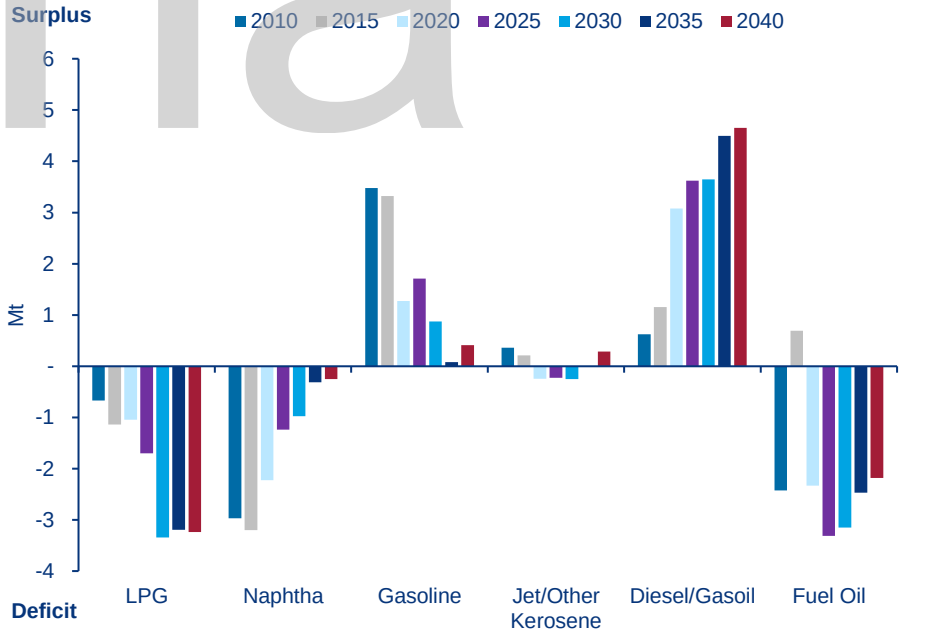
Due to growing domestic gasoline demand, Belgium's gasoline surplus is forecast to narrow and reach a balanced position in mid-2030s

- Belgium is currently a large net exporter of petroleum products, primarily gasoline. It is relatively balanced on diesel/gasoil and jet/kerosene. Over the forecast period, as diesel/gasoil demand declines, Belgium will also become a significant net exporter of diesel/gasoil.
- Belgium's trade position is enhanced by the integration between refining operations in Belgium and the Netherlands, which require large bilateral trade flows. Furthermore, Antwerp is a major storage centre within ARA with capacity for oil products, chemicals, base oils/lubricants and vegetable oils.
- Belgium exports a significant amount of gasoline to Africa and North America. There is also significant trade via barge and short sea-shipping from Belgium to neighbouring countries.

Belgium Gasoline Balance:



Belgium Oil Product Balances:



Source: Wood Mackenzie

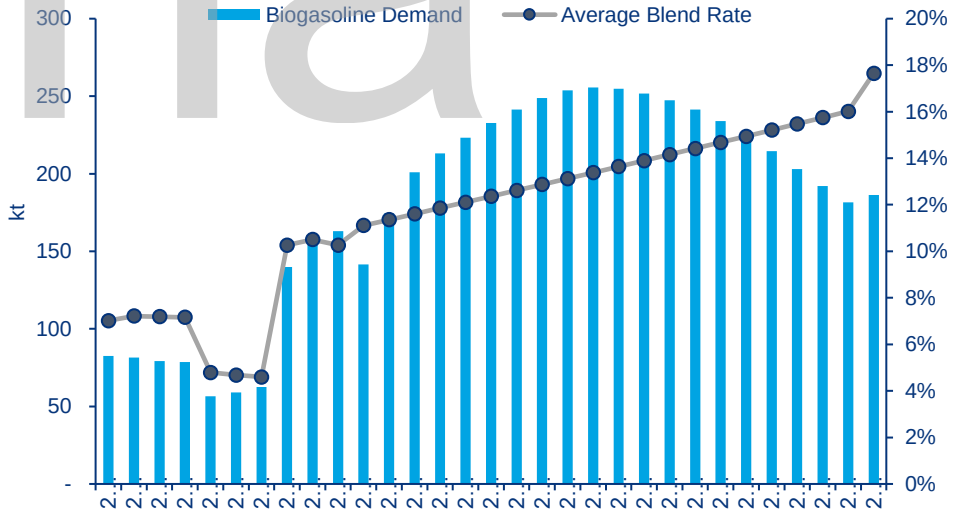
We expect increasing ethanol blending in Belgium, which coupled with growing gasoline demand results in significant increase in ethanol consumption

- Since the increase of the bioethanol mandate at the beginning of 2017, the majority of Belgian gasoline became E10. Regular grade 95 E10 gasoline is currently by far the most popular gasoline grade in Belgium. However, premium-grade 98RON gasoline accounted for 20% of all gasoline sales in 2019 which is higher than other European markets. The premium-grade has seen some support as a result of consumer preference and older gasoline cars non-compatibility with new E10 specifications.
- Ethanol/Biogasoline targets have been increasing with new policy mandate and have also recently been updated to include double counting* for certain feedstocks. With a greater emphasis on vehicle emissions and meeting the EU's environmental targets, we expect an increasing proportion of retail fuels sold to have higher biofuel content.
- We forecast ethanol/biogasoline consumption to grow in line with gasoline demand with a peak in the 2030s before the gains in fuel efficiencies erodes demand. Volumetric blend rates are also set to increase from 10% in 2019 to 18% by 2040 in line with the guidelines of EU's RED II directive.

Belgium Biogasoline Mandates:

Year	% Calorific Value	Double Counting
End 2016	4.0	Possible upon approval
2017-2019	8.5	
Jan 2020 – March 2020	8.5	
April 2020 – Dec 2020	9.9	
From Jan 2021	9.55	Max 0.6%

Belgium Biogasoline Demand:



Source: Wood Mackenzie

*Certain biofuels are counted twice against the mandates. This was introduced to support the use of certain biofuels and/or feedstocks. As a result of double counting, less physical volumes of a certain biofuel are needed to fill a mandate, which makes the respective biofuel more attractive than a comparable single counting biofuel.

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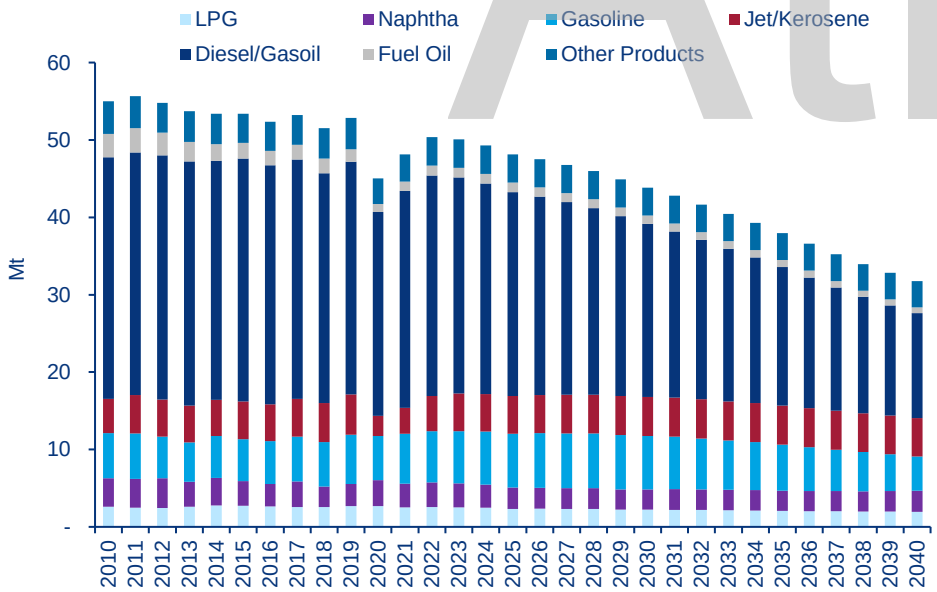
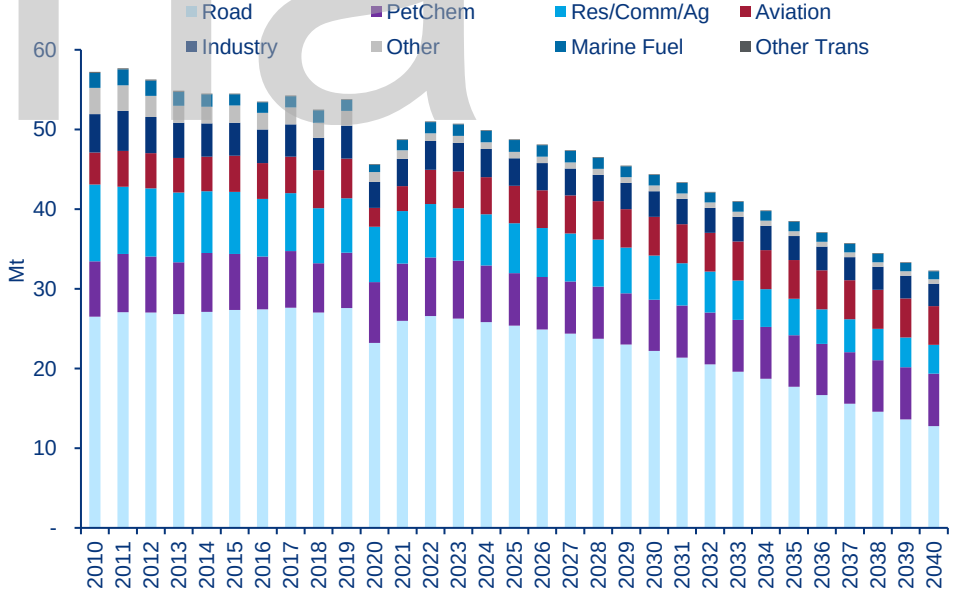
Around half of NW France's demand is driven by road transport; increasing fuel efficiency and alternative fuels are expected to erode road transport demand

- France is a mature market in which overall oil demand is in slow but steady decline. We expect oil demand to recover in 2021 before entering a steady trajectory of long-term decline. Weakening demand in future years is attributed to a combination of vehicle fuel efficiency gains and the increasing penetration of alternative fuels to meet increasingly stringent climate change targets.
- French authorities have adopted new Law on Energy and Climate in 2019. The legislation specifies a roadmap for the energy transition in France. Notably, it aims to reach carbon neutrality by 2050. This is already impacting the road transport sector which makes up over 50% over NW France's oil demand.
- Consciousness of using diesel powered cars has resulted in switching from diesel to gasoline car usage. While we expect to see this trend to continue in the medium term, a growing penetration of alternatively powered vehicles, particularly electric vehicles in the passenger car segment dampens gasoline demand growth from 2030 onwards.

NW France Oil Demand by Product:



NW France Oil Product Demand by Sector:

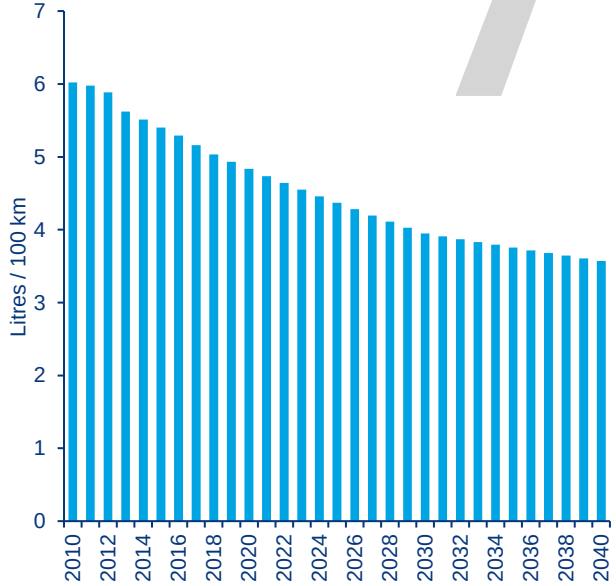


Source: Wood Mackenzie

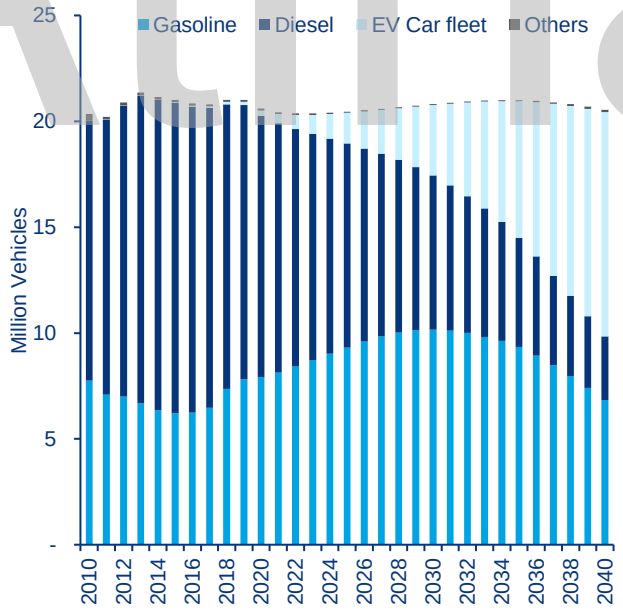
France is expected to see continued switching from diesel to gasoline powered cars which will support gasoline demand in the medium-term

- France's passenger car fleet has remained stable in size in recent years. Traditionally, diesel-powered cars have dominated the passenger car fleet as the price of diesel fuel is cheaper than gasoline due to the lower fuel duty levied on the product.
- However, since the 'dieselgate' scandal and associated concerns over NOx emissions, consumers have increasingly switched to gasoline-powered vehicles. We expect this trend to continue until 2030 after which we forecast that hybrids and electric vehicles will begin to erode the share of the car parc held by internal combustion engine vehicles.
- Demand for gasoline in France is expected to remain relatively stable until 2030 before entering a gentle trajectory of decline. The decrease in gasoline demand is driven by continuing fuel efficiency improvements as EU legislation demands increasing efficiency in new cars. In the longer term, efforts to decarbonise the transport sector and the electrification of the car fleet starts will further erode demand.
- Diesel cars have become less attractive in the small and medium car segments following emissions concerns. We expect demand for diesel in the road transport sector to recover from the one-off hit due to the coronavirus pandemic in 2021 before reverting to a trend of long-term decline throughout the remainder of our forecast period.

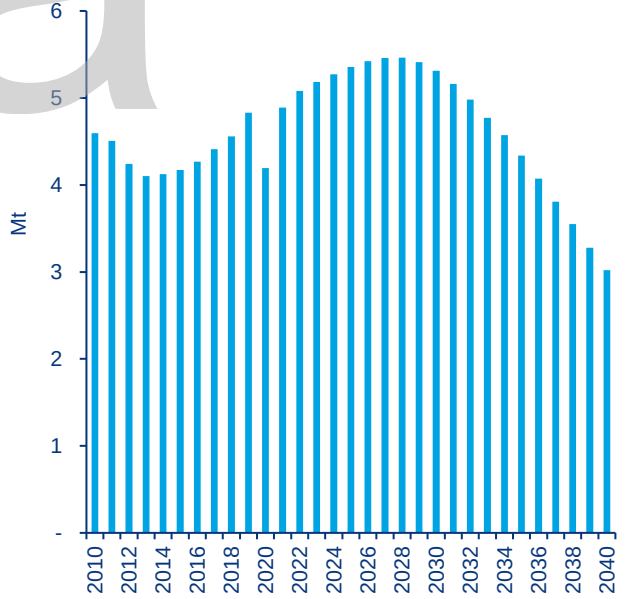
NW France Fuel Efficiency for New Cars:



NW France Passenger Car Parc:



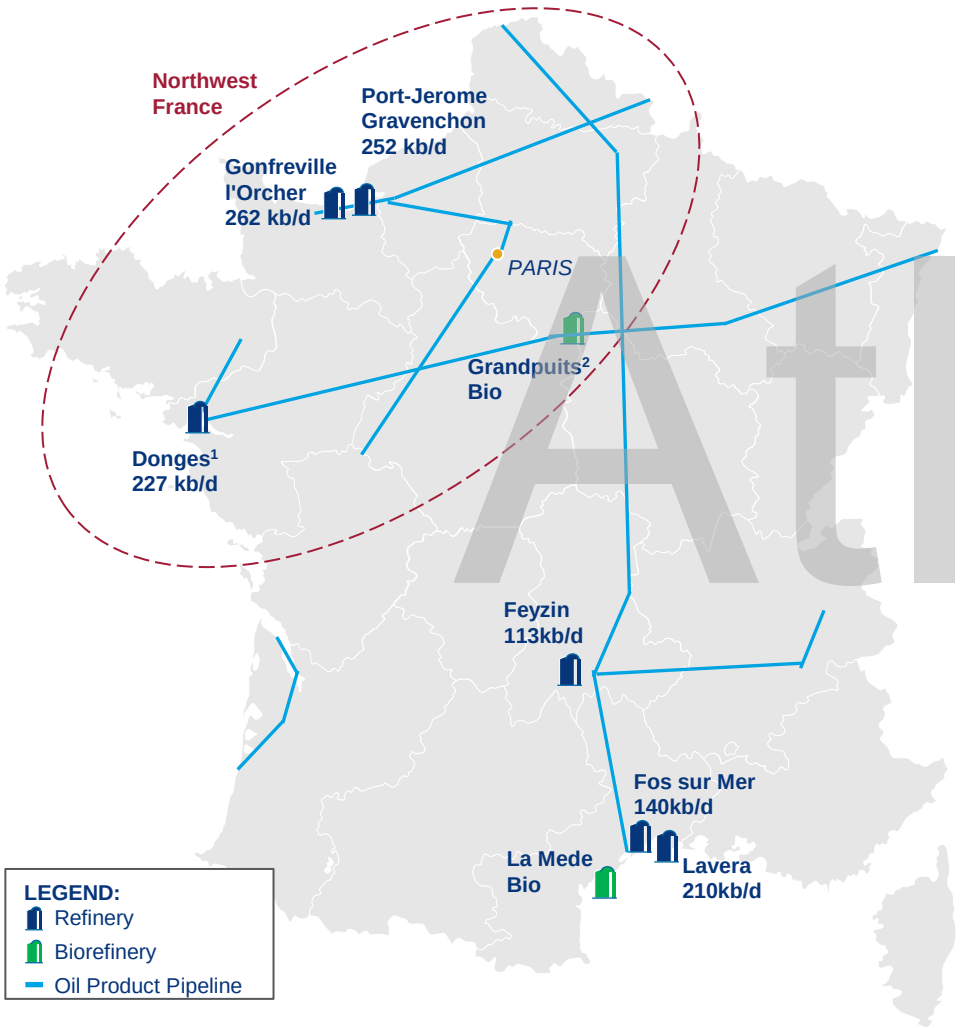
NW France Gasoline Demand:



*Conventional Hybrids Included in Diesel/Gasoline Vehicle Types, Plug In Hybrids Included in EVs
Source: Wood Mackenzie

France has 4 refineries in the Northwest region that primarily supply to the large demand centre of Paris

France Downstream Infrastructure:



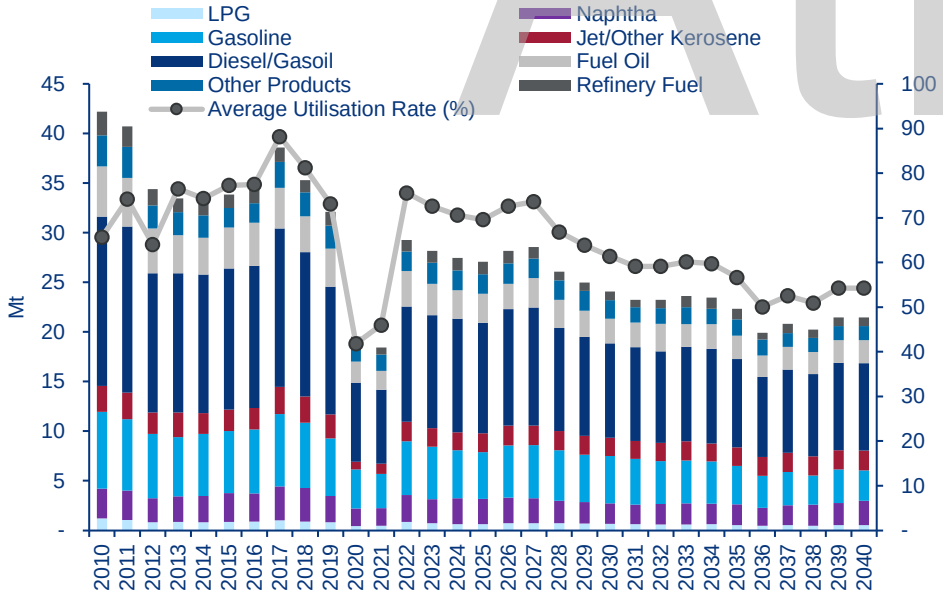
- Refining capacity in France has fallen over the past decade following the closure of several refineries. Total capacity is ~1.0 million b/d across the 6 operational fuel refineries.
- Most recently, the Donges refinery has been offline since October 2020 in response to weak demand and low margins. There have been no news on an official restart date yet.
- Several refineries in France have revamped to produce biofuels instead, with shifting RED II regulations and pressured oil margins. France's refining capacity decreased in 2021 as Total's Grandpuits refinery discontinued production to complete its transformation to a biorefinery due to come online in 2024.
- Most refineries and pipelines in France are built along the Le Havre-Paris and Marseille-Strasbourg axis, forming the spine of the distribution infrastructure covering the country's main demand centres.
- After oil pipelines, road tankers are the second most used means of transport for oil products in volumetric terms, in addition to the use of both inland waterways and rail.

1.Donges shut down in October 2020. Scheduled restart of the facility hasn't been announced as of Dec 2021.
2.Grandpuits refinery will be converted into a plant for the production biofuel and bioplastics by 2024.
Source: Wood Mackenzie

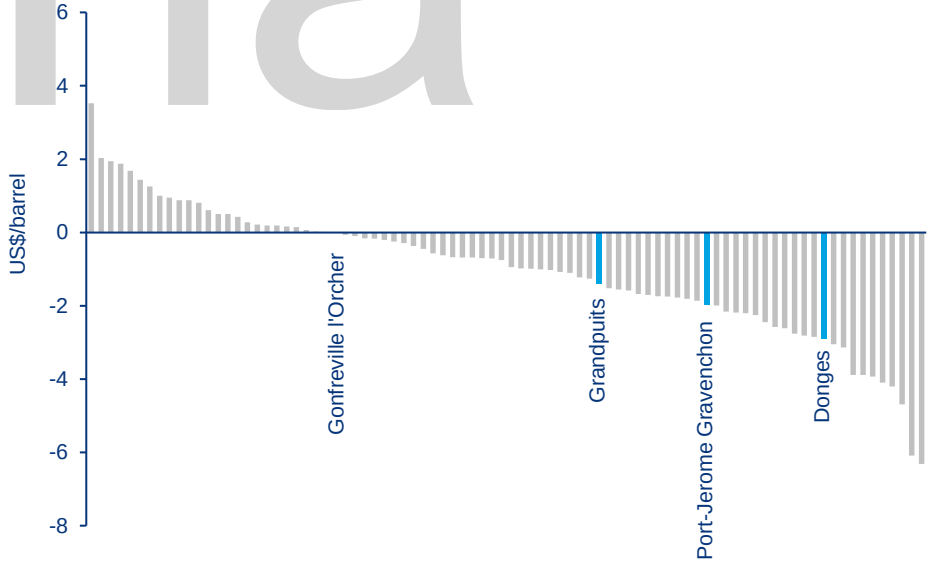
Refinery supply is expected to decrease in response to demand and conversions to biorefineries

- The refining industry in France has historically suffered from underinvestment, and consequently has relatively weak net cash margins (NCM) compared to other European refineries. This has also contributed to the several historical refinery closures and conversion to biorefineries.
- 2020 saw a steep reduction in refinery supply from 2019 with the Donges refinery suspending operations due to poor margins. Moving froward, we expect refinery utilisation rates to only fully recover in 2022 from a utilisation rate of 42% in 2020 to 76% in 2022. However, the rates are then forecast to decline in response to decreasing demand and a global refining overcapacity.
- With the conversion of the Grandpuits refinery to a biorefinery from 2023, only the Gonfreville l'Orcher, Donges and Port-Jerome Gravenchon refinery will be serving the NW France region. At Donges, Total will invest EUR 400 million to build a new desulphurisation unit for intermediate feedstock and a steam methane reformer (SMR) to produce hydrogen.
- Among the operational refineries, the Gonfreville l'Orcher refinery is the most competitive with a marginally positive NCM. Upgrades have also previously been made at this refinery to increase the production of clean products. The remaining refineries have a negative NCM and may face increasing competitive pressures.

NW France Refinery Supply:



NW France vs. Europe Net Cash Margin, 2021:

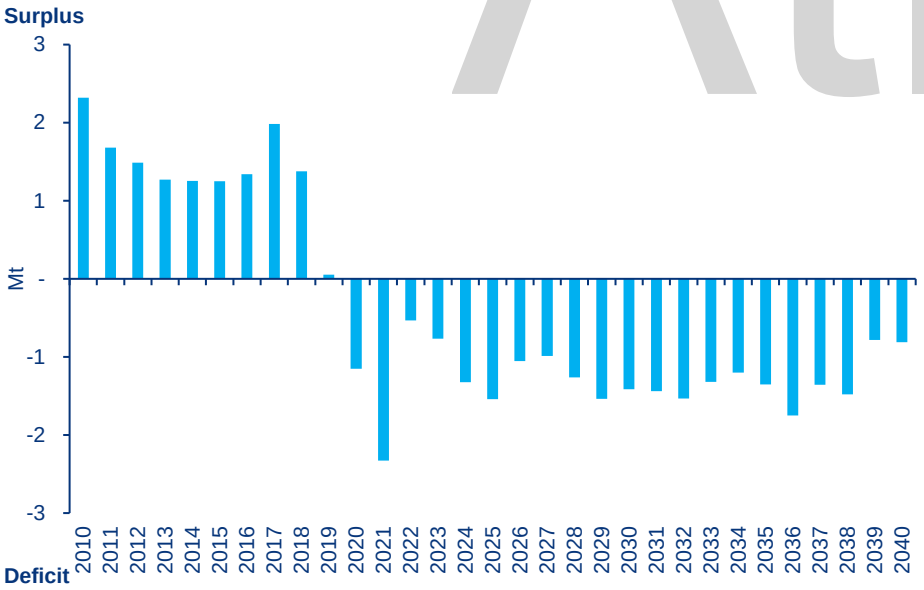


Source: Wood Mackenzie

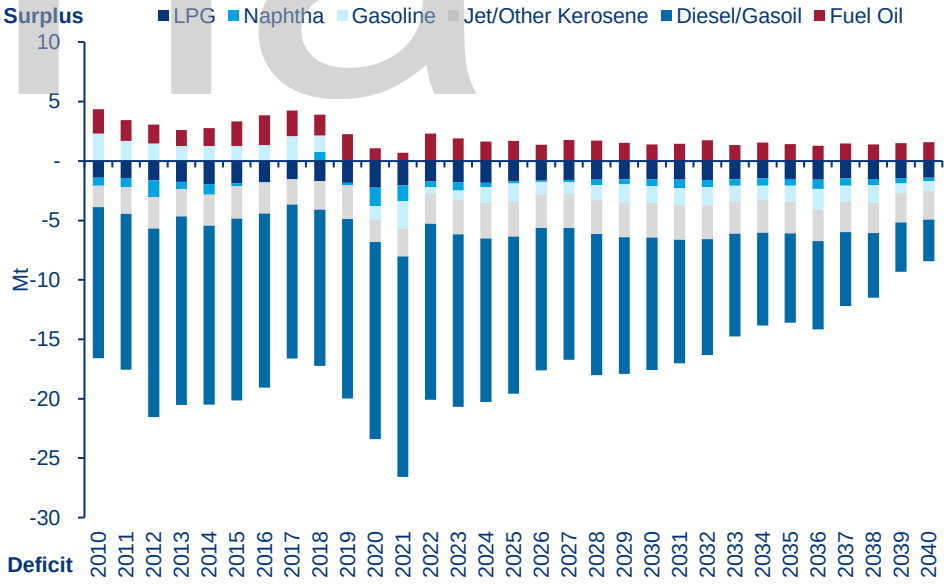
NW France moved into a deficit position for gasoline in 2020, creating an increased reliance on imports and storage infrastructure

- Due to successive reductions in the refining system, product deficits have emerged creating a need for storage and distribution infrastructure. In particular, with the Donges refinery going offline, NW France has moved into a gasoline deficit position making it reliant on imports.
- Moving forward, we forecast the gasoline deficit to widen as refinery utilisation decreases and the Grandpuits refinery completes its transformation to a biorefinery. The widening gasoline deficit may create upside for imports and distributors.
- NW France is also in a large deficit position across most clean products. The Middle East and Russia/Baltics remain the country's major sources of middle distillate imports. Gasoline is primarily supplied from local NW Europe markets.
- Smaller volumes of refined products are also exported. Much of it is sent by French refineries to either Africa or neighbouring European countries.

NW France Gasoline Balance:



NW France Overall Oil Product Balances:



Source: Wood Mackenzie, Eurostat

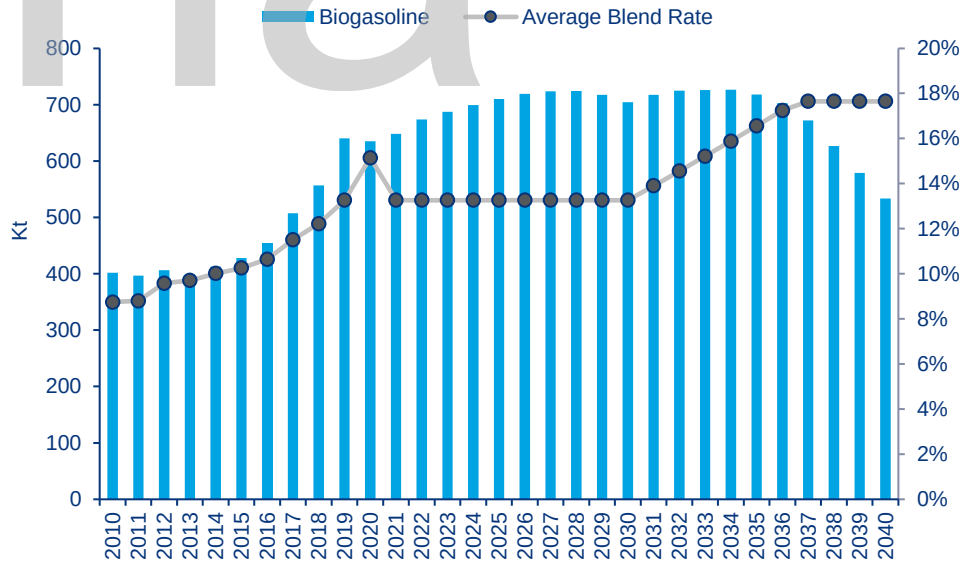
Average ethanol blend rates are forecast to rise from 13% in 2021 to 18% in 2040 in line with local mandates

- France targeted a share of 10% of renewable energy in transport for 2020. The government plans to increase the target to 15% in 2030 in accordance with the second phase of the EU's Renewable Energy Directive. The 2021 blending obligations for gasoline is 8.6% by energy content.
- France has also set a target for advanced biofuels in gasoline of 1.2% from 2023 onwards by energy content and 3.8% from 2027 onwards. There is also double counting for certain feedstocks including cellulosic biofuels and waste biofuels . Fuel suppliers who do not comply with the renewable mandates are fined at a rate of EUR 98/hL.
- France launched E10, with up to 10% renewable ethanol in 2009 and E10 is now available alongside regular-grade gasoline. E85, with up to 85% renewable ethanol, is also available at around a quarter of retail sites and can be used in flexi-fuel vehicles or in petrol cars equipped with a conversion box. There is a tax incentive on both products which has resulted in increased consumption in the recent years from customers looking for a cheaper alternative to gasoline.
- Biogasoline demand in NW France is expected to rise from 640 kt in 2019 to a peak of 724 kt in 2028 before decreasing over the long-term from gains in fuel efficiencies.

France Ethanol Targets:

Year	% Calorific Value	Advanced	Double Counting?
2010-2013	7.0		
2014-2016	7.0		
2017-2018	7.5		
2019	7.9		
2020	8.2		
2021-2022	8.6		Yes
2023-2027		1.2	
2027 onwards		3.8	

NW France Bioethanol Demand and Blend Rates:



Source: Wood Mackenzie, Eurostat

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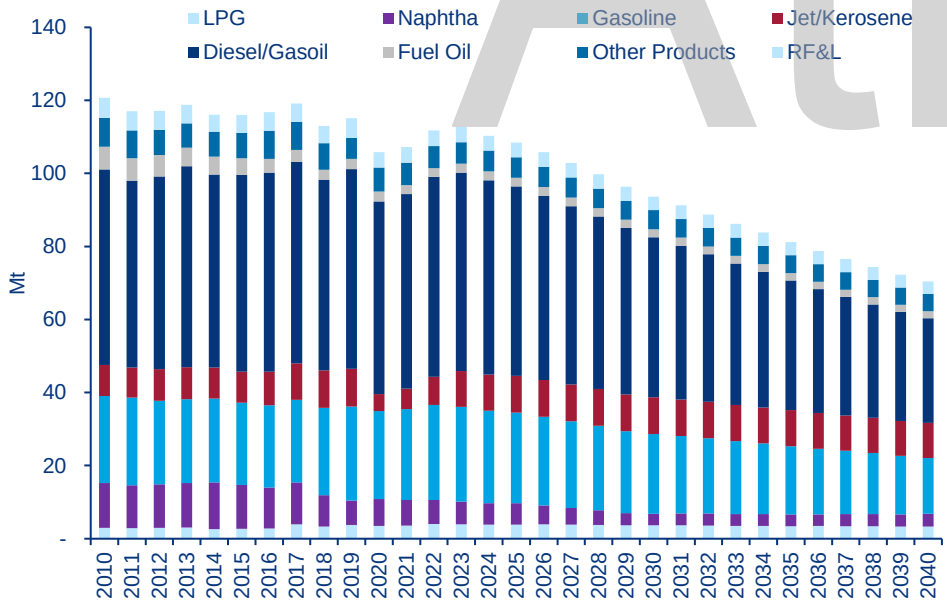
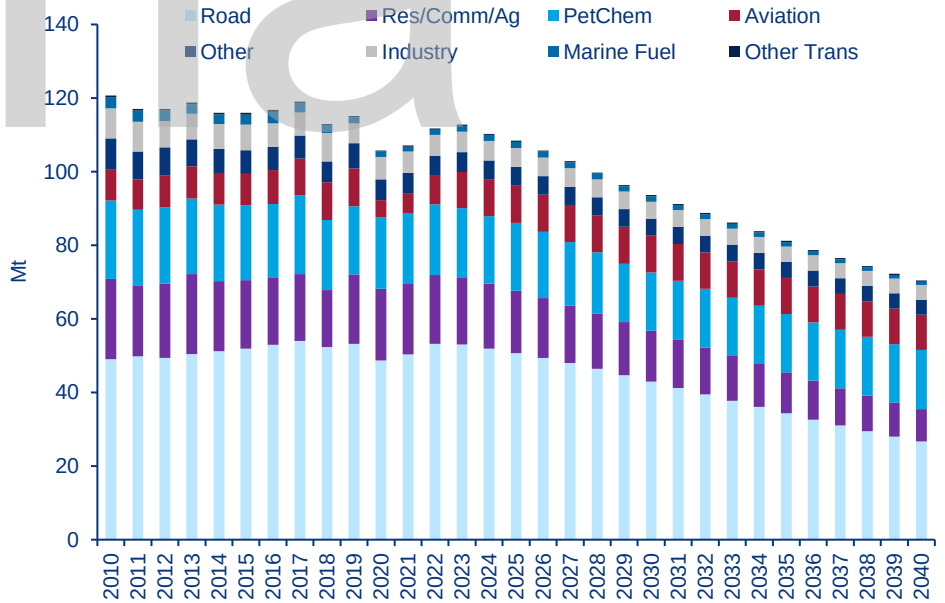
Despite the declining outlook for oil products, Germany remains the largest fuel market in Europe

- After a brief period of recovery from the lows of 2020, demand for oil products is expected to enter into a structural decline. This is led by Germany's road sector which accounts for ~50% of the country's oil demand. A switch to alternatively powered vehicles, particularly EVs in the passenger car market, and increasing fuel efficiency will impact gasoline demand.
- Diesel/gasoil is currently the largest single product category dominated by automotive diesel followed by the residential heating sector. Total diesel/gasoil demand has remained relatively stable during the years prior to the pandemic. However, demand can fluctuate depending on the purchasing in the heating market. Looking forward, we expect the decline in heating oil sales to accelerate while road diesel demand also decreases. This latter is due to improvements in fuel efficiency and the rise in the use of alternative fuels in the freight transport sector.
- There is also demand for naphtha and LPG demand stemming from Germany's petrochemical sector. LPG demand could be boosted from a switch from naphtha in the petrochemicals sector.

Germany Oil Demand by Product:



Germany Oil Product Demand by Sector:

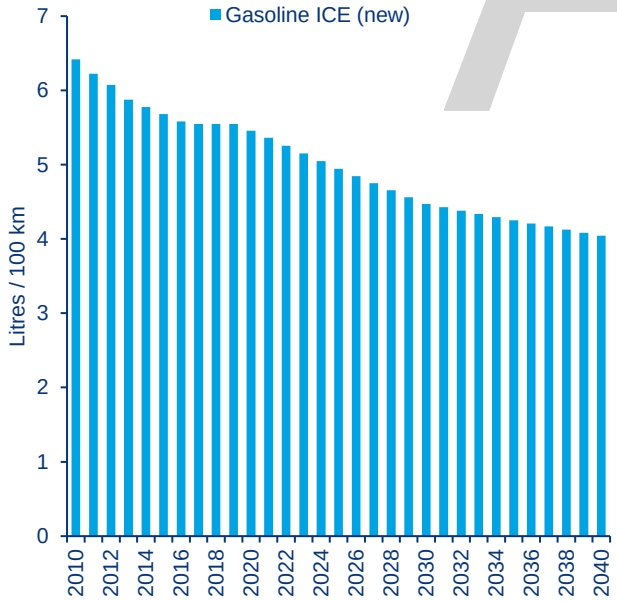


Source: Wood Mackenzie

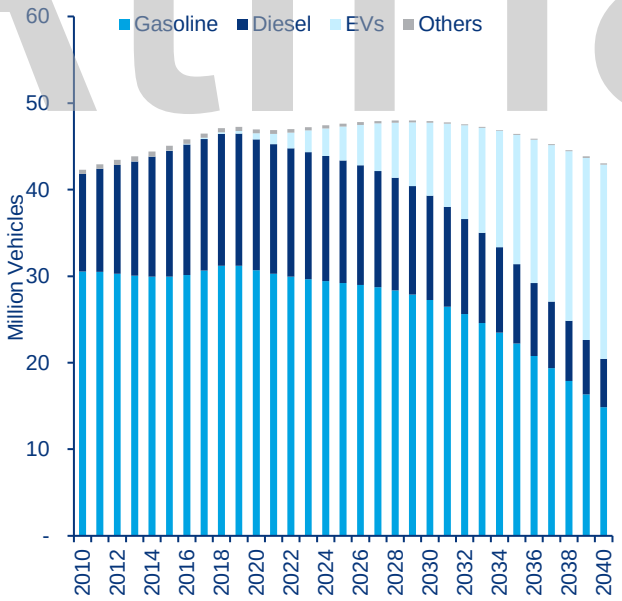
Gasoline demand is forecast to decrease post-2022 due to the electrification of the passenger car fleet and increasing fuel efficiency of conventional ICE vehicles

- Conventional gasoline cars currently account for around two-thirds of the German passenger car fleet. This has supported gasoline demand historically keeping it elevated at around 16-17 MT.
- The share of EVs in the passenger car fleet has typically been low. However, this is beginning to change as sales of EVs increase. As EVs become more dominant in the new car sales market, their share of the passenger car fleet is expected to grow to 18% by 2030. The pace of growth is expected to accelerate beyond 2030, with EVs share reaching 52% of the total passenger car fleet by 2040. Much of this uptick in EV sales is supported by government incentives, such as reduced taxation and the exemption for road charges, which brings the price closer to their gasoline or diesel counterparts.
- As alternatively fueled vehicles such as EVs and plug-in hybrids impact gasoline-fueled car purchases, we expect gasoline demand to decline to 13 MT by 2030 and 7 MT by 2040. Additionally, the mild hybridisation of conventional gasoline cars is also results in the cars being more fuel efficient, contributing to the decrease in gasoline road demand.

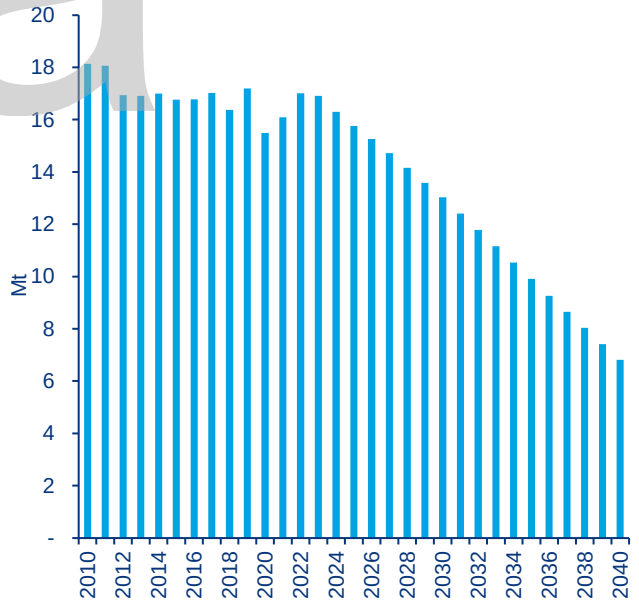
Germany Fuel Efficiency for New Cars:



Germany Passenger Car Parc:



Germany Gasoline Demand:



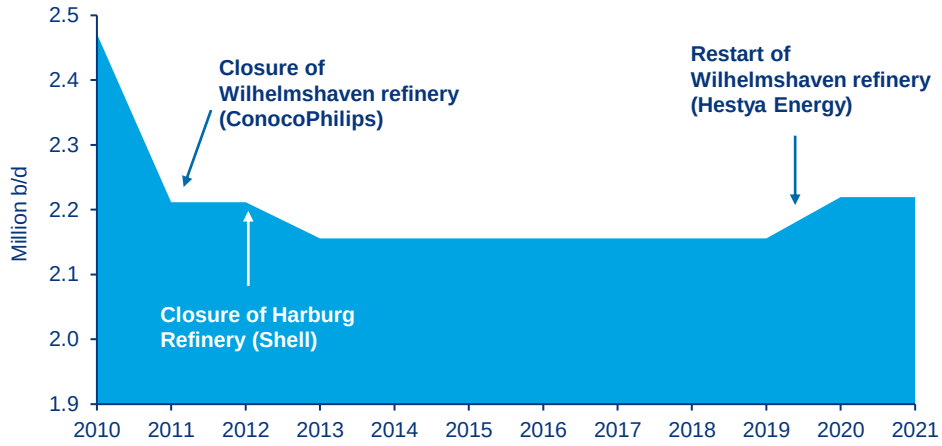
Source: Wood Mackenzie

Germany's oil market is dominated by integrated refiners; although, apart from BP and Shell, other refiners supply on a more regional basis

Germany Refining Infrastructure:

- Following the acquisition of the formerly mothballed Wilhelmshaven and Harburg refineries, Germany now has 12 fuels refineries with a combined capacity of 2.2 million b/d.
- Germany is unusual in the relatively high number of players that participate in the refining sector compared to other countries in Western Europe. This is due to a number of 'consortial' refineries where shareholders ensure delivery of crude oil to an independently run refinery and then market the products produced by the refinery.
- These refineries tend to serve either regional demand within Germany. This has also played a part in limited refinery closures observed over the last 10 years as compared to the rest of NWE.

Germany Refining Capacity:

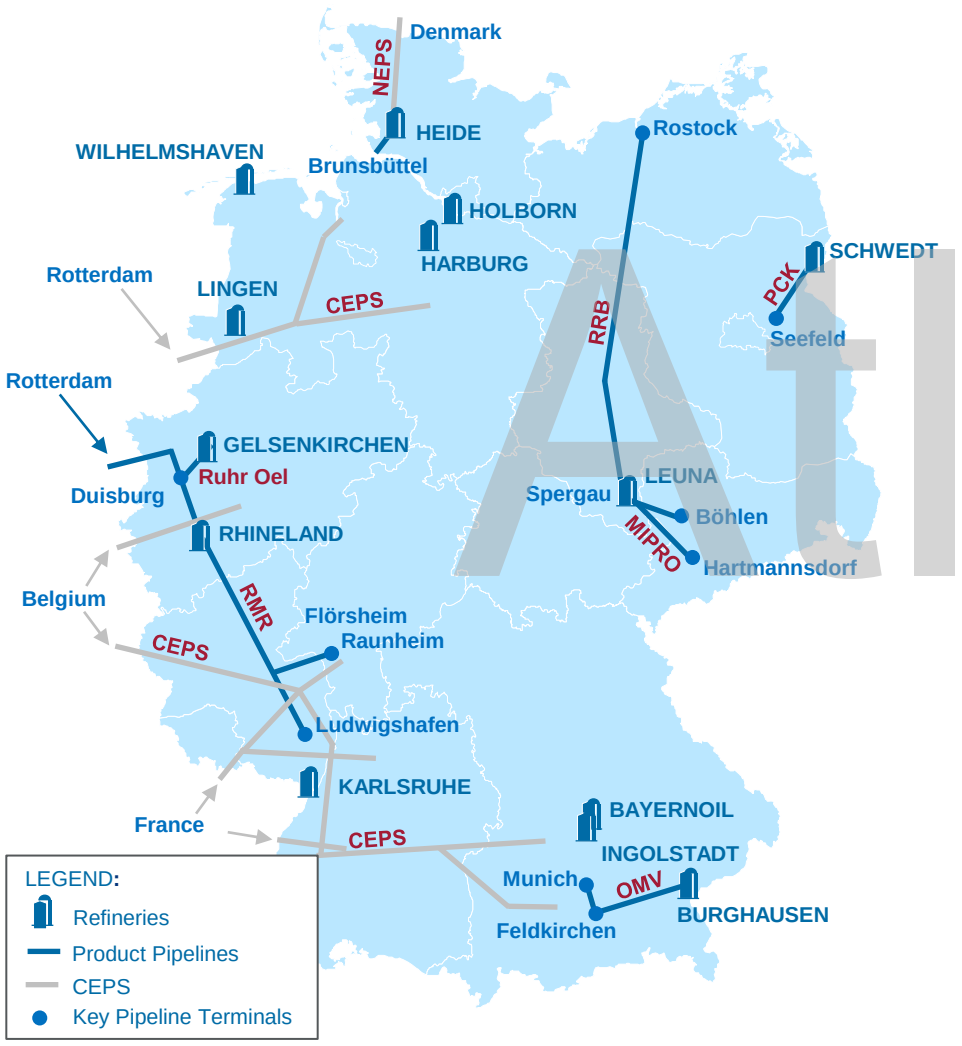


Note: Excludes specialty (e.g. bitumen and lubricants) refineries.

Source: Wood Mackenzie

RMR is the only inter-country pipeline transporting gasoline, while the other pipelines distribute gasoline intra-country or serve other products

Germany's Refinery & Pipeline Infrastructure:



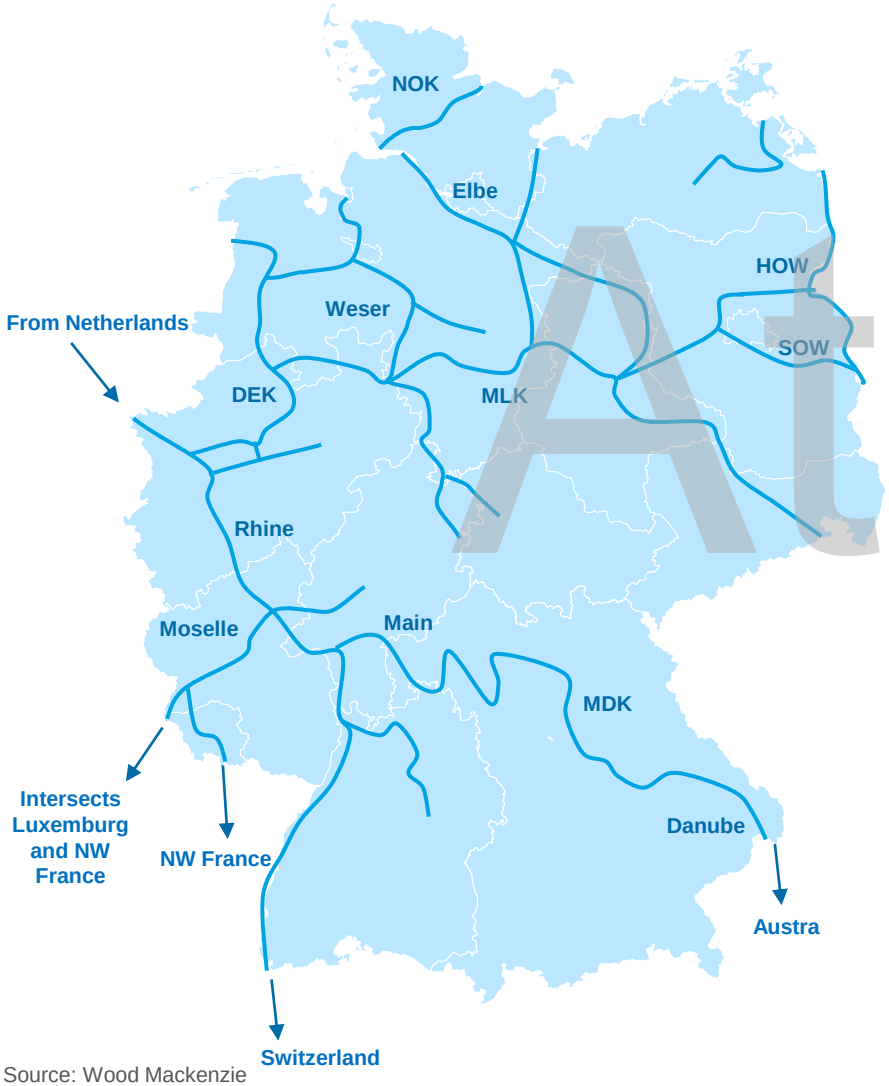
- Product pipelines cover around 20% of the product distribution. Rail is the main mode of transport of primary supply to depots in central regions.
- RMR and CEPS facilitate a significant part of Germany's imports from the ARA region.
- Germany is one of the five host countries of NATO's Central European Pipeline System (CEPS) which is now mainly used for commercial jet fuel supply.
- RMR originates from Rotterdam and runs eastwards into Germany, and extends south via Cologne to Ludwigshafen, with a branch off to Raunheim for jet fuel. The RMR is the only pipeline serving gasoline that originates from outside of Germany.

Pipeline System	Key products carried	Capacity	Length
RMR	Gasoline, diesel, Heating oil, Jet fuel	12.5 Mt p.a.	524 km
CEPS / NEPS	Jet fuel	~4.0 Mt p.a.*	2050 km
MIPRO	Naphtha, Diesel, gasoline, heating oil	3.0 Mt p.a.	107 km
RRB	Naphtha / feedstock	2.5 Mt p.a.	437 km
PCK	Diesel, gasoline, heating oil	3.8 Mt p.a.	78 km
Heide	Oil products	5.5 Mt p.a.	31 km
OMV	Jet fuel	1.7 Mt p.a /1.4 Mt p.a*	123 km
Ruhr Oel	Oil products	1.4 Mt p.a.	32 km

Source: Wood Mackenzie **1.7 Mt a year capacity between Burghausen-Feldkirchen and 1.4 Mt a year between Feldkirchen-Munich

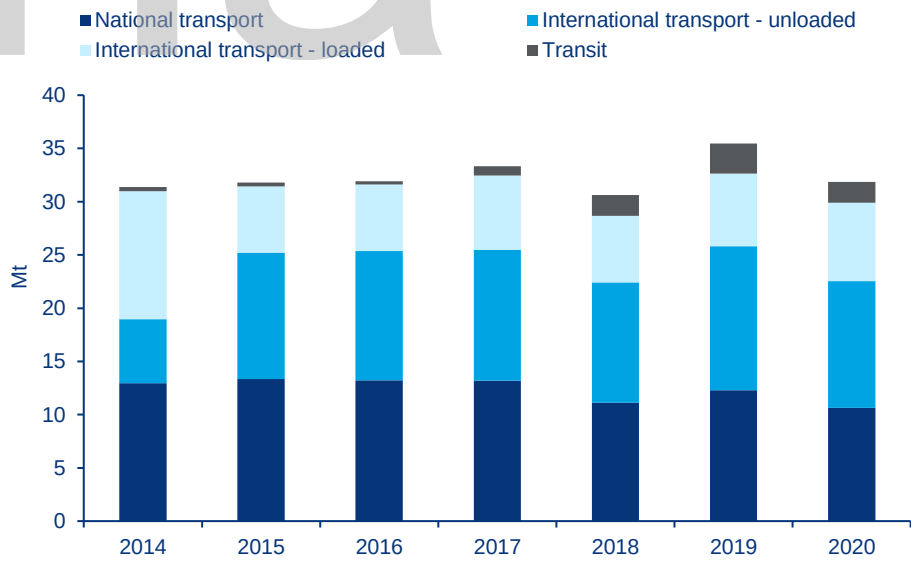
Large quantities of product are moved by barges to various storage terminals and distribution depots, especially along the Rhine

Germany's Inland Waterways:



- ~50% of barge transport of refined products is used for facilitating international trade. This includes mainly the gasoline and diesel/gasoil supply from ARA to storage terminals along the Rhine,
- Around 33-40% of barge movements are for domestic redistribution of product, while remaining 6-8% volumes are for transit purposes, consisting mainly of movements from ARA to the Swiss import hub in Basel and to NW France.
- Inland waterway transport volumes in Germany show some variability year-on-year. This is mainly due to changing weather conditions which impact water levels which may prevent barges from sailing fully-laden and drive up barge freight rates.

Germany Inland Waterway Transport of Refined Products

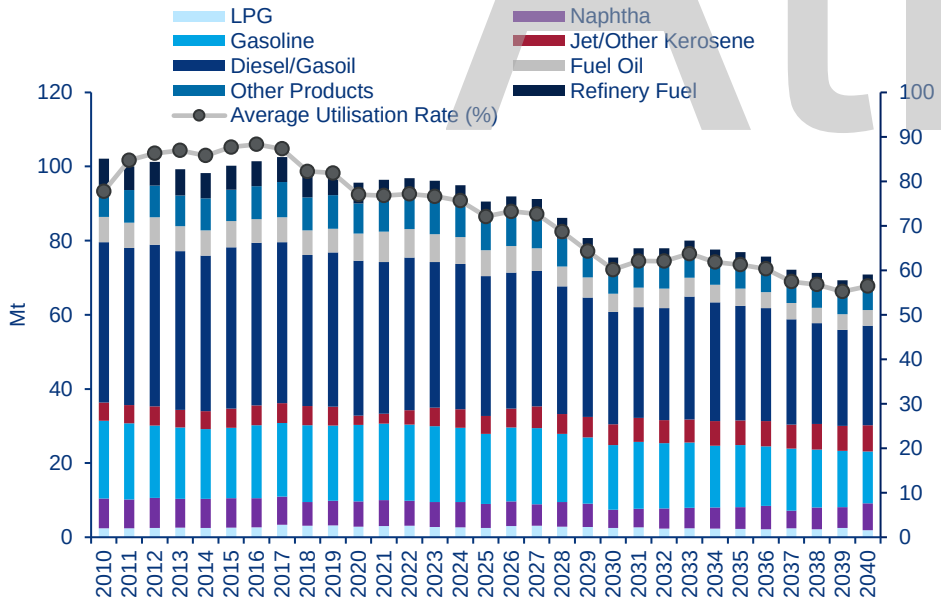


Source: Wood Mackenzie

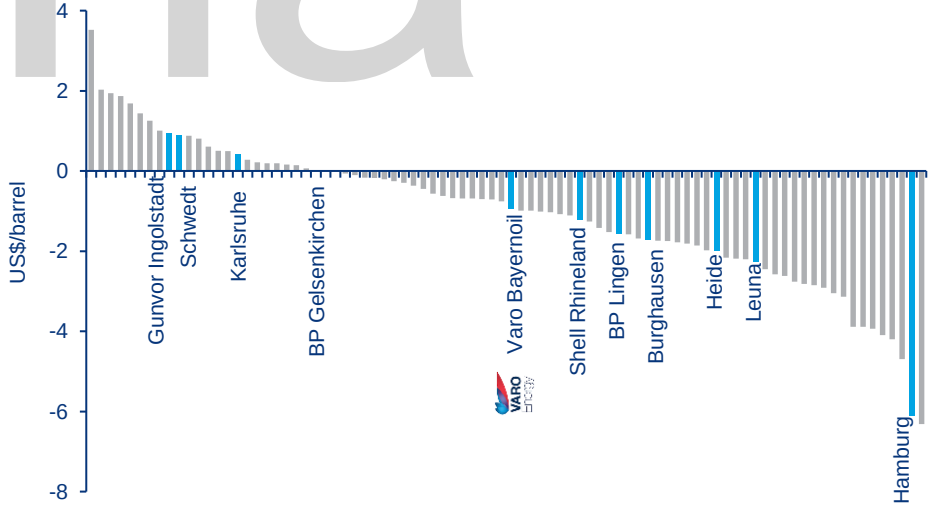
Germany's more uncompetitive refineries will face a decrease in refinery utilisation from the historical highs of 90%

- Germany has some of the most competitive refineries in Europe given complex configuration and integration with petrochemicals. However, there are a number of refineries in the third and forth quartile of European refineries.
- Varo Energy's Bayernoil is a large-scale multi-site refinery formed from the integration of two refinery sites in January 1998: the neighbouring Vohburg/Ingolstadt and Neustadt, Donau refineries. The overall site has a reasonably competitive position with both distillate and residue catalytic cracking, along with thermal cracking and visbreaking for additional conversion. The large isomerisation plant and the MTBE plant are valuable sources of non-aromatic octane. However, the refinery has experienced an explosion in 2018 of its FCC unit which has not restarted since, impacting the competitiveness of the refinery.
- Average refinery utilisation rates are forecast to decrease from highs of 90% to 60% in line with decreasing domestic demand and the pressures from a global refining overcapacity.
- While we do not forecast any refinery closures, relatively small, coastal, export-based refineries are considered at risk. Additional factors relating to ownership, crude supply and petrochemical integration also influence refinery competitiveness.

Germany's Refinery Supply:



Germany's Refineries vs. Europe NCM, 2021:

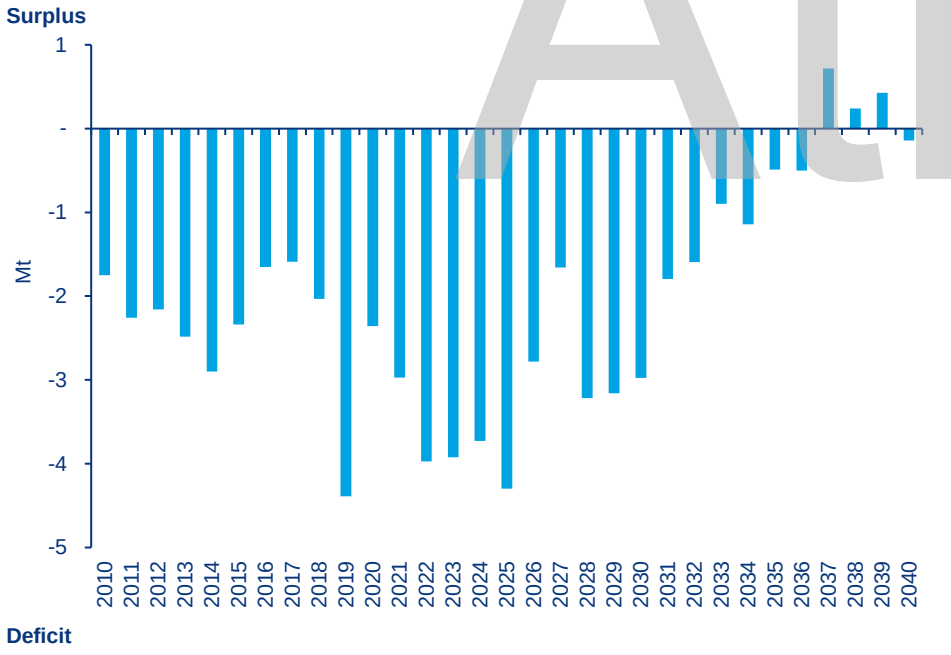


Source: Wood Mackenzie

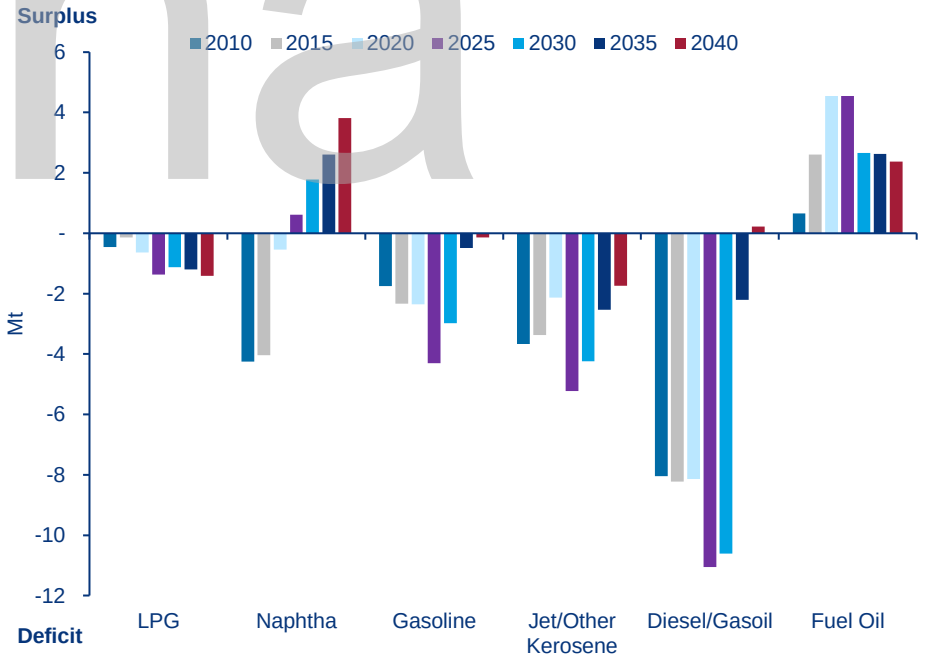
As one of Europe's largest oil markets, Germany is import dependent with a deficit position across most major products including gasoline

- Despite having one of Europe's larges refining systems, Germany relies on imports for major products such as gasoline, diesel/gasoil and jet fuel. However, it is worth noting that there are regional shorts and surpluses within the country that makes intra-Germany trade essential.
- Germany is short in gasoline and largely relies on imports from ARA. It is also largely deficit in diesel/gasoil and jet fuel which accounts for majority of the import flows to Germany.
- Majority of imports are sourced from ARA along the Rhine corridor (by pipelines, barges and more recently by rail due to disruptions on the Rhine). Additional imports are also sourced via Hamburg and smaller coastal ports such as Rostock, Bremen and Wilhelmshaven.

Germany's Gasoline Balance:



Germany's Oil Product Balances:



Source: Wood Mackenzie

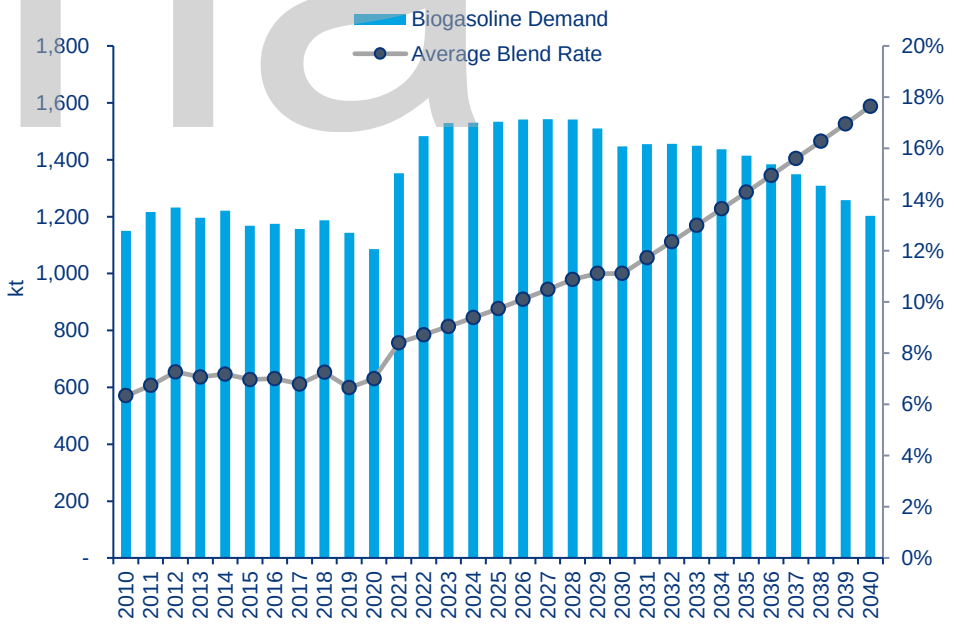
Germany is Europe's largest ethanol consumer and demand is set to rise with increasing GHG reduction targets

- Emissions from the transport sector have not fallen in Germany since 1990, making it the only sector that has not achieved any GHG reductions. With a clear target of reducing emissions by 37 percent by 2030 embedded in the 2019 Climate Action Law, road transport in particular has become a focus of climate policy.
- Instead of specific blending mandates, fuel suppliers are obliged to reduce the GHG emissions of all the products they place on the market by a certain percentage, known as the GHG quota. Germany has had a binding quota for biofuels since 2007, which stands currently at 6% and is to grow to 25% by 2030.
- The government doubled the maximum allowable ethanol content in gasoline from 5% to 10% in 2011 to comply with EU directive 2009/30 requiring member states to introduce legislation permitting the marketing of E10 gasoline. However, there has been a consumer backlash against E10. Unlike other countries, both E5 and E10 are available at service stations, but E10 is far less popular than E5 due to consumer disapproval.
- Biogasoline demand has been growing despite the issues surrounding the implementation of E10. Germany is Europe's largest consumer of biogasoline and also a major producer of ethanol derived from wheat and sugar beets. Overall, we forecast biogasoline demand to rise from 1.1 million tonnes in 2019 to a peak of 1.5 million tonnes until the 2030s before gasoline demand is impacted from EV sales.

Germany's Biofuels Mandates:

Year	GHG Quota (CO2 Reduction)	Food and Feed Crop	UCO & Animal Fats	Advanced Biofuels
2022	7%	4.4%	1.9%	0.2%
2023	8%			0.3%
2024	9.25%			0.4%
2025	10.5%			0.7%
2026	12%			1%
2027	14.5%			
2028	17.5%			1.7%
2029	21%			
2030	25%			2.6%

Germany's Biogasoline Demand:



Source: Wood Mackenzie

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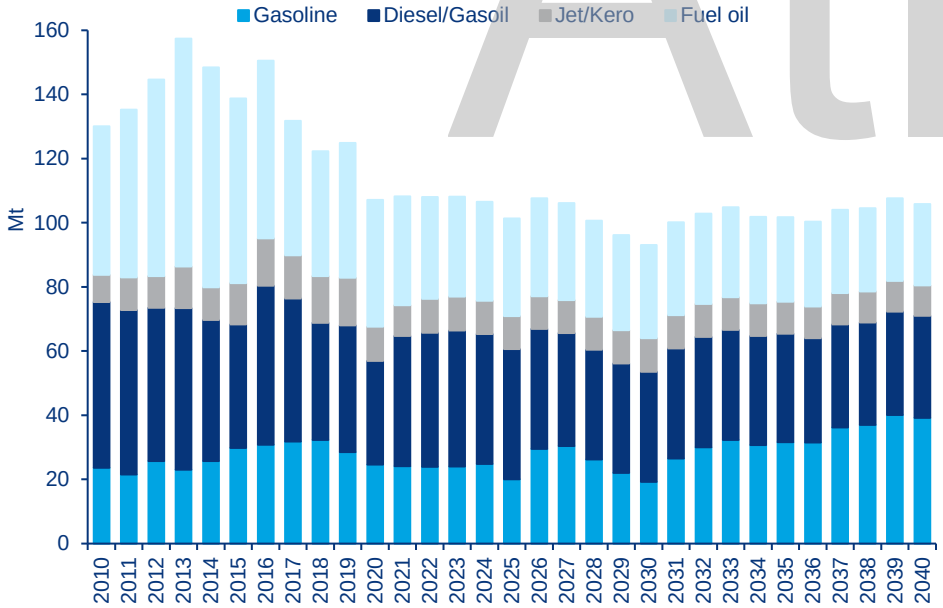
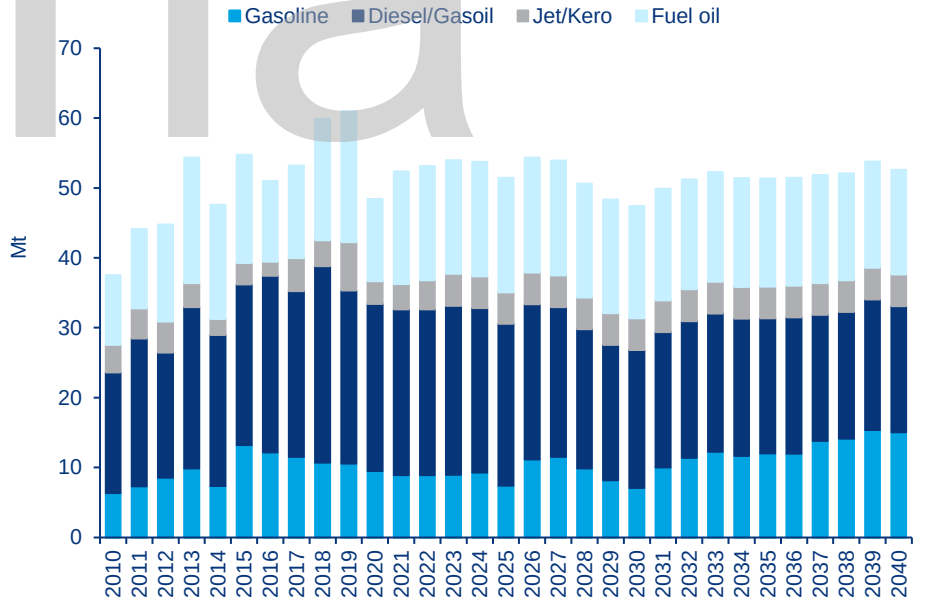
Regional trade flows are expected to be impacted by declining demand for fuel oil and lower regional deficits of diesel/gasoil; growing exports of gasoline from NW Europe will support trade in ARA in the long-term

- **Gasoline** trade is expected to decline out to 2025 as demand in export markets declines and regional supply falls due to lower refinery runs. Post 2025, decreases in NWE road sector demand outpaces decreases in refinery utilization rates, resulting in a growing surplus of gasoline. This will support demand for export storage capacity in ARA.
- **Diesel/Gasoil** trade is reduced driven by lower economic activity which impact the commercial freight sector. Additionally, the ongoing move away from diesel vehicles further impacts passenger car demand. Lower demand reduces the import requirements to meet the region's deficit.
- **Fuel oil** trade through the ARA, in particular transshipment through Rotterdam, has declined in recent years due to lower supply of heavy products from Russia given upgrading investments in Russian refineries. In addition, the marine fuel specification change in 2020 has significantly reduced local demand for HSFO; however, we expect ARA to capture trade opportunities in VLSFO as well as transshipment of heavy feedstock to spare upgrading capacity in Asia and USGC.

Netherlands Oil Product Trade:



Belgium Oil Product Trade:

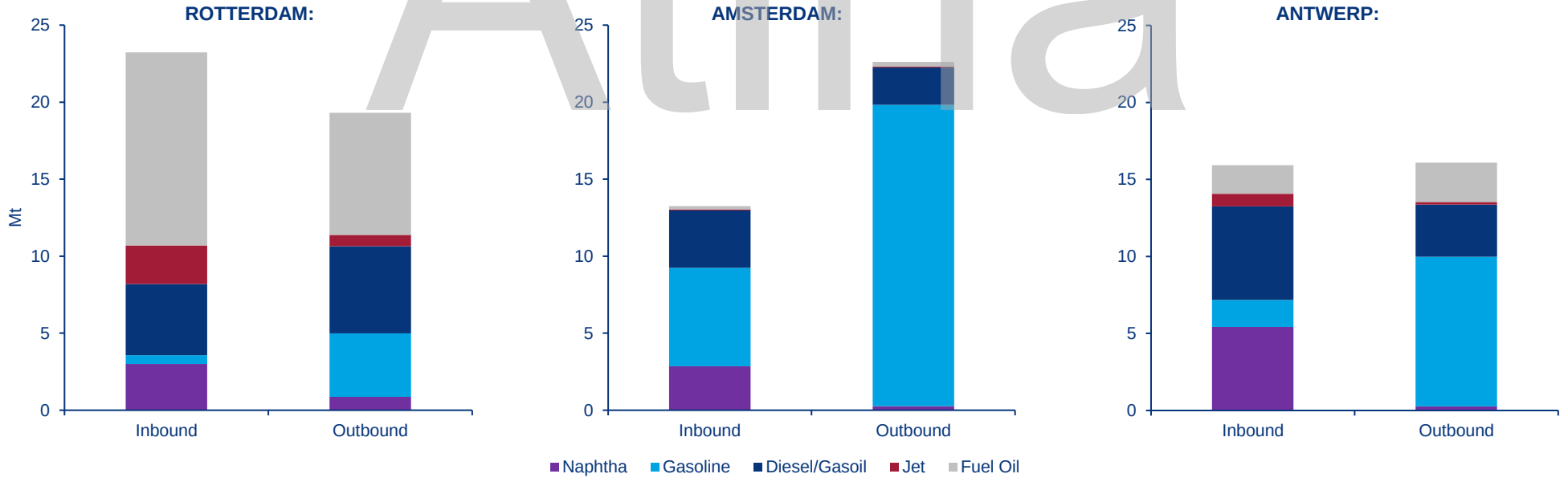


Source: Wood Mackenzie

Outlook for particular ARA ports is expected to be different reflecting their product focus, import sources and export destinations

- **Amsterdam** is primarily focused on gasoline and gasoline components and has storage that facilitates both complex blending and make-bulk for inter-regional exports. Amsterdam also captures some make/break bulk flows for diesel/gasoil.
- **Rotterdam** dominates the bunker fuels market as well as handles transshipment volumes of fuel oil and heavy products to bunkering hubs in Asia Pacific as well as heavy feedstock to USGC. Rotterdam also receives diesel/gasoil and jet fuel imports which are supplied along the Rhine corridor to Germany and other inland markets (e.g. via pipeline infrastructure or barges). Rotterdam is also the key refining centre in NWE with the two largest regional refineries (Shell Pernis and BP Rotterdam), which contribute to significant exports of oil products to inland and export markets (e.g. gasoline).
- **Antwerp** has a more balanced traffic among different product categories with higher focus on middle distillate imports compared to other ARA ports. Product flows are also driven by local refinery production (e.g. export of gasoline) as well as local chemical industry (e.g. import of naphtha).

2019 Cargo Loading/Discharge* by Port:



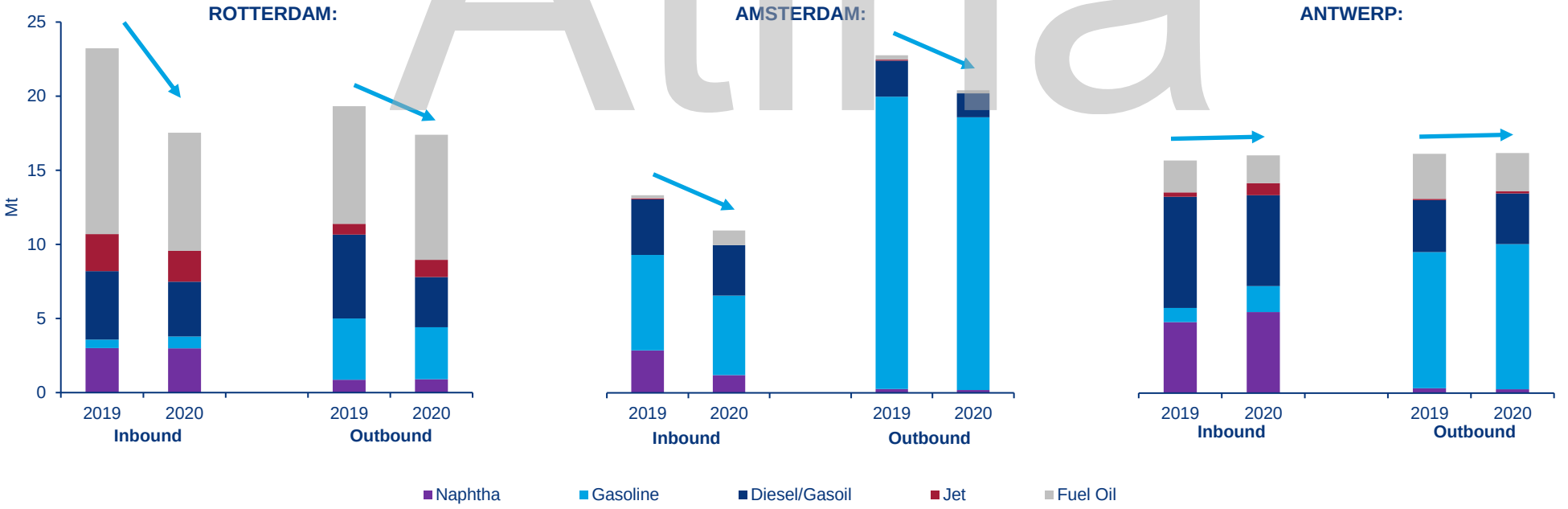
Source: Wood Mackenzie, Genscape

*Based on tanker fixtures, data may not be comprehensive

COVID-19 negatively impacted throughput in Rotterdam and Amsterdam, while Antwerp was relatively unaffected due to competitive refining sector and petrochemical integration

- COVID-19 restrictions were felt within Europe and globally with several countries undergoing lockdowns. Consequently, road demand for gasoline and diesel was negatively impacted resulting in lower exports of gasoline and imports of diesel/gasoil through ARA. Additionally, jet demand plummeted globally as countries introduced travel restrictions leading to lower need for jet imports in ARA.
- Rotterdam and Amsterdam in particular saw lower throughput in 2020 being impacted across all products for gasoline, diesel/gasoil, jet and fuel oil. IMO was also introduced in 2020, which reduced the amount of HSFO being transshipped from Russia through Rotterdam.
- Throughput in Antwerp was relatively unaffected due to the its high naphtha imports catering to the Belgium's petrochemicals industry which was benefitting from relatively healthy chemical demand.

2019 - 2020 Cargo Loading/Discharge* by Port:



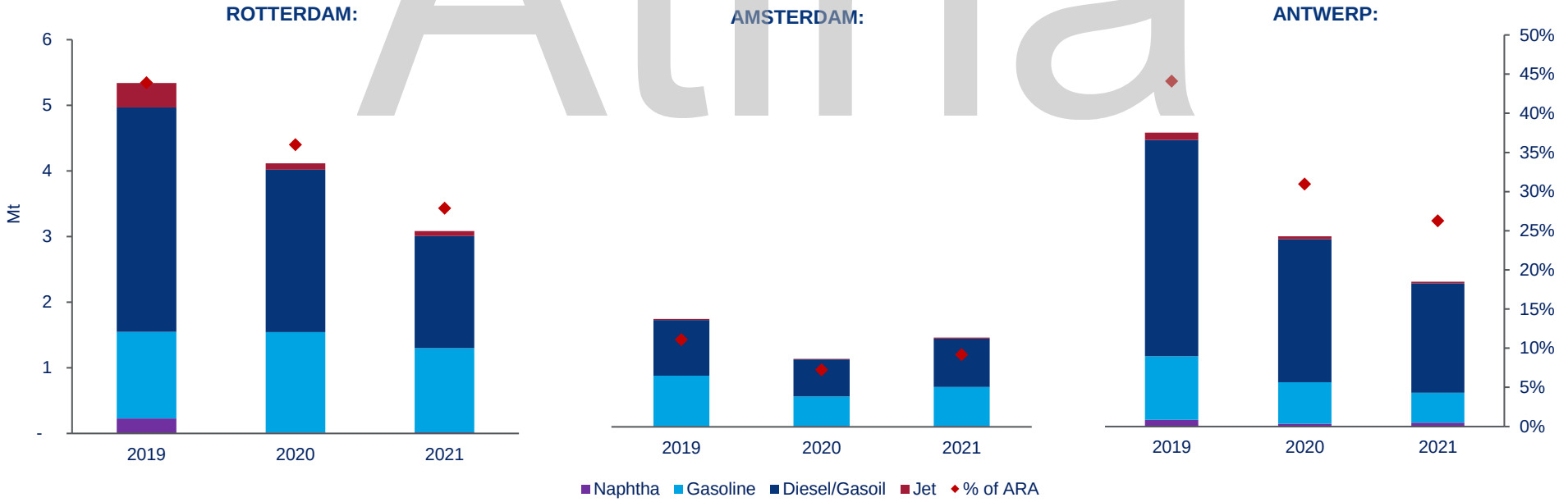
Source: Wood Mackenzie, Genscape

*Based on tanker fixtures, data may not be comprehensive

Barges along the Rhine river are a major mode of transporting products from ARA ports to neighbouring countries

- The Rhine river system acts as the main transport corridor facilitating the flow of products on barges from ARA port into the deficit hinterland of Western Germany, Switzerland and NW France which form an integrated regional market.
- Inland wholesale product prices are at a significant premium to international export quotes, offering incentive to move product inland along the Rhine to the deficit inland countries and/or regions.
- NW Europe has a significant diesel/gasoil deficit with demand concentrated in the road and heating sectors. Consequently, ~65% of the barge loadings are catering to diesel/gasoil needs. This is followed by gasoline, which is sourced from ARA refineries as well as blended at ARA terminals such as GPS-A, prior to distributing via barges to neighbouring countries.
- Gasoline is predominantly distributed from refineries or terminals across all the ARA ports, while diesel/gasoil is distributed mainly from Rotterdam and Antwerp.

2019-2021YTD Rhine Barge Loading by Port:



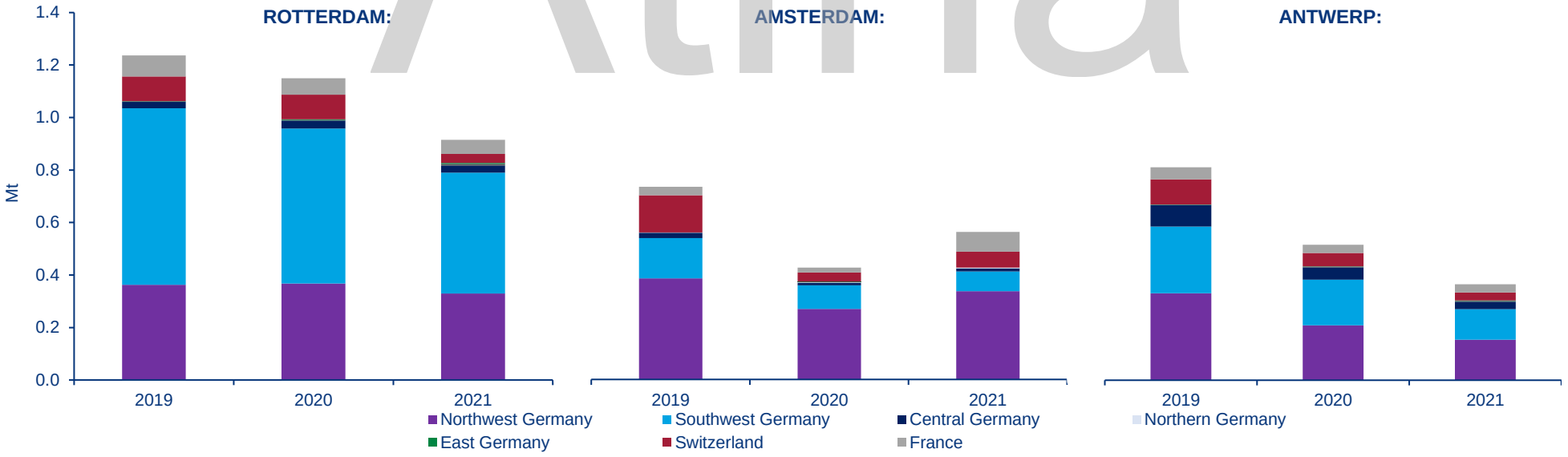
Source: Wood Mackenzie, Genscape

*Based on tanker fixtures, data may not be comprehensive. Data is based on mid-December 2021.

Each ARA port serves a differentiated gasoline demand envelope around Germany, Switzerland and France

- In absolute volume terms, Germany is Europe's largest deficit market for gasoline, and hence majority of the barges are destined for Germany with relatively lower volumes going to Switzerland and NW France.
- Refineries and storage terminals are densely located around the Northwest and Southwest regions, with product pipelines originating from Rotterdam, Belgium and France to West Germany form an integrated hinterlands.
- Rotterdam is connected to Northwest Germany via the RMR pipeline which can transport gasoline and competes with barge and rail. Majority of gasoline volumes from Rotterdam are destined for Southwest Germany where there are limited alternative transportation means. Similarly, the Rhine also connects Rotterdam to Switzerland and Northwest France via the upper Rhine.
- Amsterdam has ARA's largest storage capacity for gasoline and components. Located further away from Southwest Germany, majority of the gasoline barges are destined for Northwest Germany, specifically to Gelsenkirchen and Duisburg.
- Antwerp supplies gasoline from domestic refineries and has relatively lower commercial gasoline storage capabilities than the other ports.

2019-2021YTD ARA Gasoline Barge Loadings by Destination:



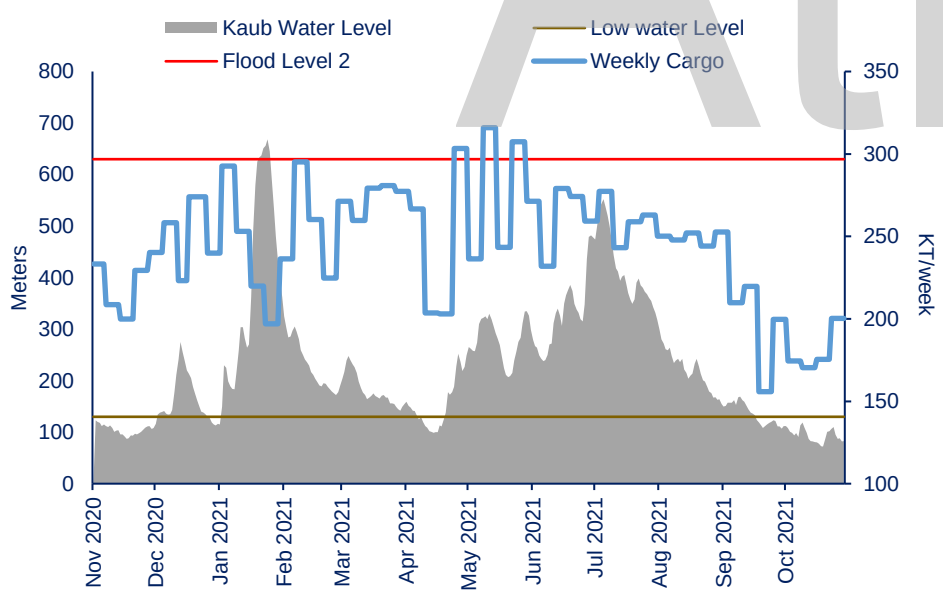
Source: Wood Mackenzie, Genscape.

Note: 2021 reflects up to mid-December YTD data. Excludes cargoes without destination captured.

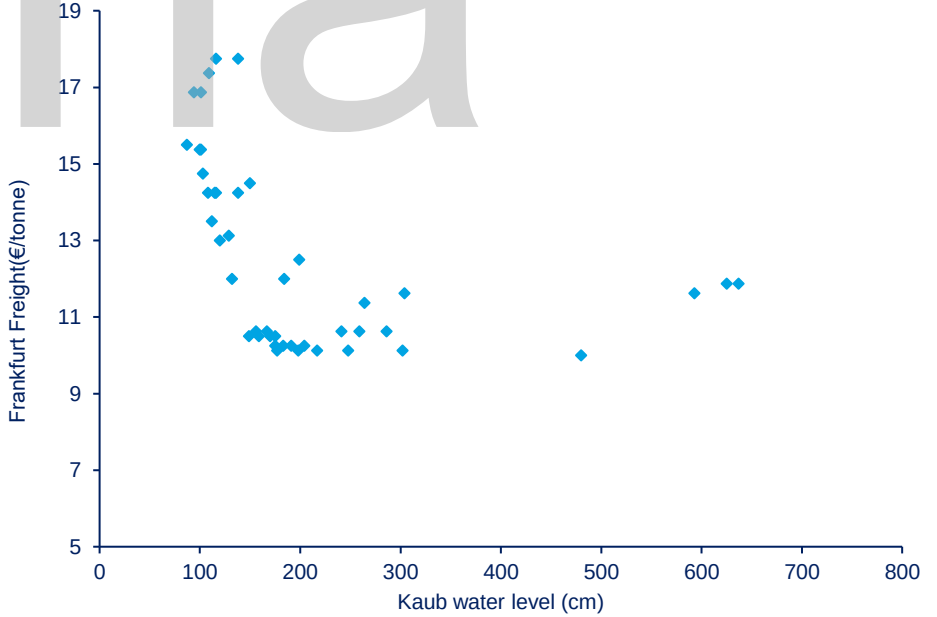
Both high and low water levels pose challenges to barge movements on the Rhine, resulting in increased demand for alternative logistics

- Water levels on the Rhine fluctuate with the seasonal shifts in rainfall and snow melt. Fluctuating water levels pose a threat to barge operators and manufacturers relying on river shipping as this reduces carrying capacity of barges.
- There is a strong relationship between water levels and Rhine freight rates. When water levels on the Rhine River fall below 135 cm (at Kaub), barges can typically only load 50% of their usual capacity. At times of low water, larger vessels with deeper drafts are unable to operate fully loaded, or smaller barges must be used. This drives up the freight cost per tonne upwards. Not only does this have an impact on costs, but there are also logistical issues as smaller vessels may not be compatible with docking facilities.
- High water levels also pose challenges to barge operations. In February, water levels rose above 630cm (considered a Flood Level 2), barge operations at several sections were suspended as it was unsafe for boats to pass beneath bridges.
- **Longer term impacts of climate change could result in more frequent fluctuations of Rhine water levels and shift some demand to alternative logistics such as rail and road.**

Kaub Water Levels vs. ARA Barge Cargoes:



Trends in Freight Rates vs. Water Levels:

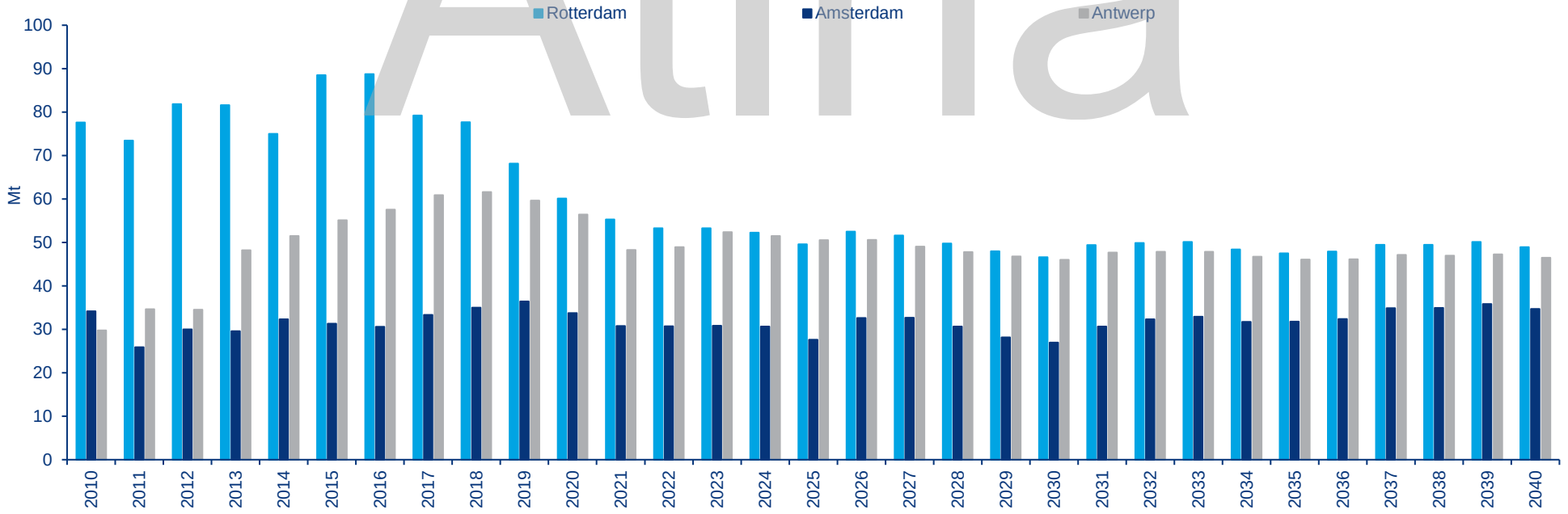


Source: Wood Mackenzie, Genscape. Data is based on mid-December 2021.

Trade flows through Rotterdam have declined in recent years due to reduced transshipment flows of fuel oil/heavy products from Russia

- Rotterdam has been most exposed in recent years to changes in Russia's fuel oil exports as around half of its oil product throughput consists of low and high sulphur fuel oil, straight run residues and other heavy materials. While we expect further refinery upgrading investments in Russia, regional availability of fuel oil/residue streams has increased due to specification change for marine fuels (known as IMO 2020), which resulted in a significant drop in demand for high sulphur fuel oil. We therefore expect heavy products to continue being transshipped through Rotterdam, including as feedstock to spare upgrading capacity in other regions. Additionally, as more vessels will be equipped with scrubbers, inter-regional fuel oil trade is expected to pick up, although not to historical levels. Local requirements for VLSFO and associated blending requirements also help sustain Rotterdam's position as a fuel oil/bunkering hub.
- While declining import flows for diesel/gasoil (due to declining regional demand) are expected to put some pressure on diesel/gasoil capacity in the region, demand for low flash point tankage for gasoline is expected to increase in the long-term as the region's gasoline surplus increases. However, gasoline export flows will depend on sustained refinery operations in the region; any capacity closures that are not reflected through our lower refinery utilisation rates, may pose a downside risk to trade flows through ARA post 2025.

ARA Oil Product Throughput by Port:



Source: Wood Mackenzie

There are limited storage capacity additions for oil products in ARA, with the exception of the 1.3m cbm HES Hartel terminal which is currently under construction; majority of recent projects target chemicals and specialties

ARA Storage Capacity Projects/Expansions *(including recently completed expansions):*

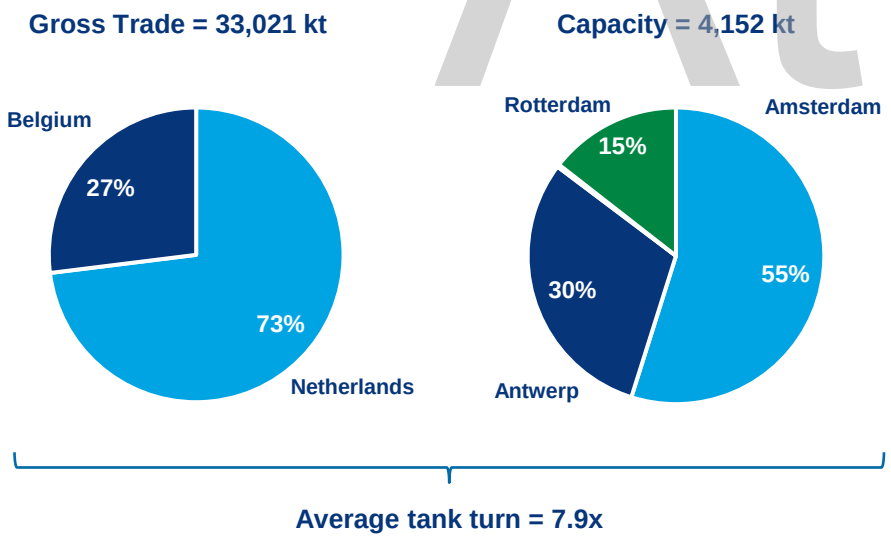
TERMINAL:	CAPACITY:	PRODUCTS:	STATUS:	COMMENTS:
Amsterdam				
GPS	**+16.7k cbm**	Ethanol	Under expansion	• A new railway line and new ethanol storage tanks are under construction • Expected completion in 2022.
NWB	**+30k cbm**	Ethanol	Proposed	• Potential completion post 2022.
Rotterdam:				
Rubis / Rotterdam	**+25.2k cbm**	Chemicals	Under expansion	• Seven carbon steel tanks; started construction in Q4 2021.
LBC / Rotterdam	**+260k cbm**	Chemicals	Under expansion	• Part of expansion already commissioned (70k cbm added per Q4 2021). • Future expansions target to bring total liquid storage capacity to 372k cbm
HES Hartel / Rotterdam	**+1,261k cbm**	Oil products	New terminal. Under construction	• Hydrotesting completed as of November 2021 • Expected completion in Q1 2022 *(the project is delayed from original timeline).*
Evos Rotterdam	**+84k cbm**	Chemicals	Under expansion	• Expected completion in Jan 2022
Antwerp:				
Vesta / Antwerp	**+104k cbm**	Oil products / Bio Jet	Proposed expansion	• Expected completion in Q4 2022.
Noord Natie / Antwerp	**+150k cbm**	Unspecified	Under expansion	• +45.4 kcbm completed as part of the expansion • +35 kcbm expected completion in mid 2022.
Total / Antwerp	**160k cbm**	Chemicals	New terminal. Under construction	• Sea-Tank and Total JV. • Additional planned capacity of 590k cbm
SEA-MOL/ Antwerp	**500k cbm**	Chemicals, base oils	Proposed new terminal	• Lack of information on progress of the project.

Source: tankterminals.com, company websites, Wood Mackenzie analysis

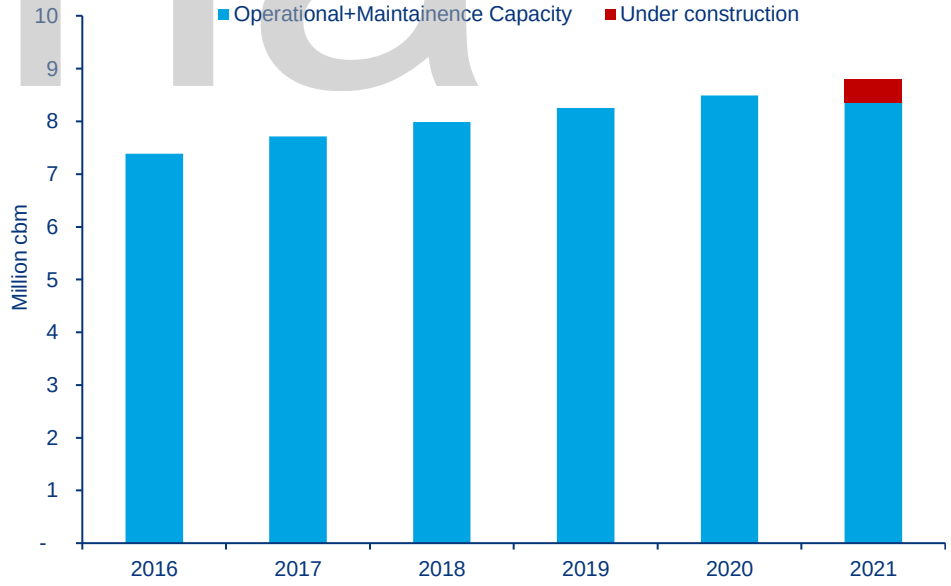
Our estimated trade-to-capacity ratio for gasoline storage in ARA suggests some tightness in the market; capacity remains concentrated in Amsterdam

- Amsterdam operates the largest gasoline/components capacity in ARA, with main operators by capacity including: Evos, VTTI ETA, Exolum Terminals, Zenith Amsterdam and GPS-A.
- Rotterdam has a relatively smaller position in gasoline storage. Addition of new gasoline capacity by HES Hartel, which is estimated at ca. 450k cbm, will significantly increase gasoline storage capacity in the Port of Rotterdam. New gasoline capacity at the HES facility, which is reported to have a direct pipeline connection from BP refinery, is expected to impact the Amsterdam market as BP is likely to shift part of its gasoline business from existing capacity in Amsterdam.
- Given the declines in gasoline trade in the near- to medium-term, we would expect the storage market for gasoline to soften, before picking up post 2025 as growing regional gasoline surplus will drive gasoline export flows.

2021 ARA Gasoline Trade-to-Capacity Ratio:



ARA Gasoline/Naphtha Storage Capacity (incl. refinery storage):



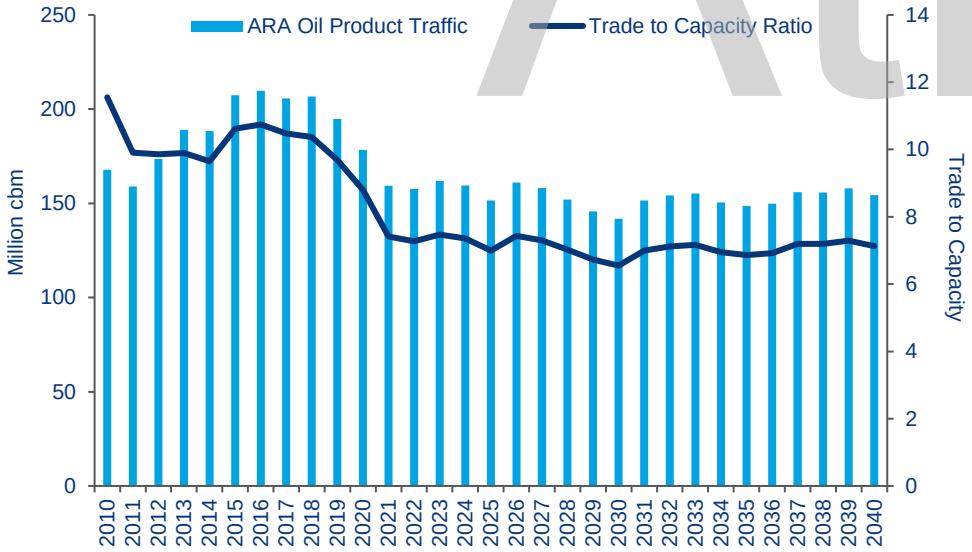
Source: Wood Mackenzie, Genscape

Note: Includes capacity for gasoline components, Trade-to-Capacity Ratio includes operational capacity only

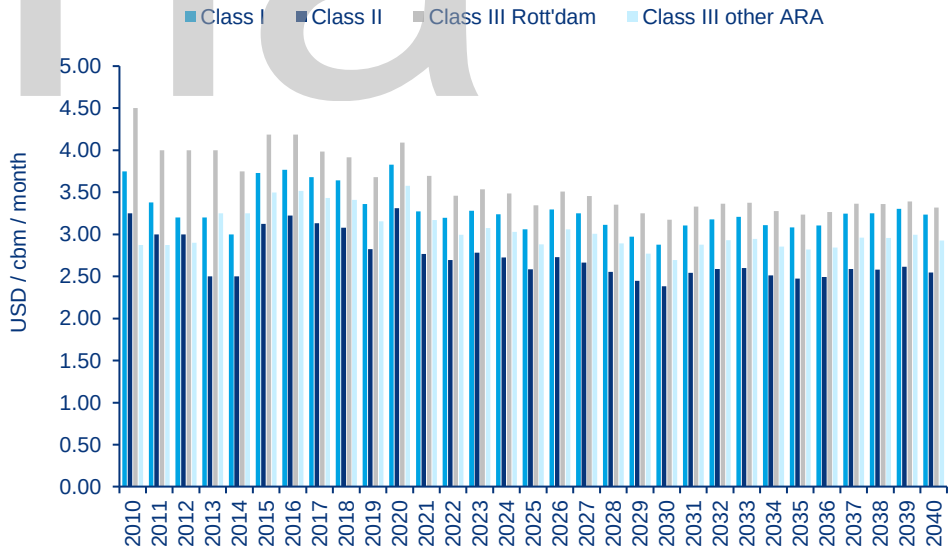
Storage rates are forecast to remain relatively stable over the forecast period with some declines from the high 2020 rates

- The trade to capacity ratio serves as an indicator for the tightness of the storage market in a given location.
- Average ARA storage rates peaked in 2010, when the trade-to-capacity ratio was at its highest level. Rates also increased in 2015 driven by higher refinery utilisation, strong gasoline market and increased transshipment flows from Russia/Baltic. Since 2017, movement of markets to backwardation, lower oil product trade and several storage expansions, have resulted in ARA storage rates coming under some pressure.
- Demand destruction in 2020 driven by COVID-19 has resulted in rates increasing by ~40-50 cents between 2019 and 2020 as the markets dealt with product oversupply and moved into a contango. Rates have softened since the 2020 disruption as excess inventory positions have been reduced and the market moved to backwardation.
- The Hartel expansion is being developed on a contracted basis and thus will not have direct impact on rates; however, capacity may be released at competing terminals potentially applying downward pressures on rates in 2022.
- Storage rates are forecast to remain relatively stable over the forecast period as increases in gasoline trade over the long-term are offset by reductions in throughput from other products.

ARA Trade to Capacity Ratio:



ARA Average Storage Rates for Refined Products (Real 2021€):



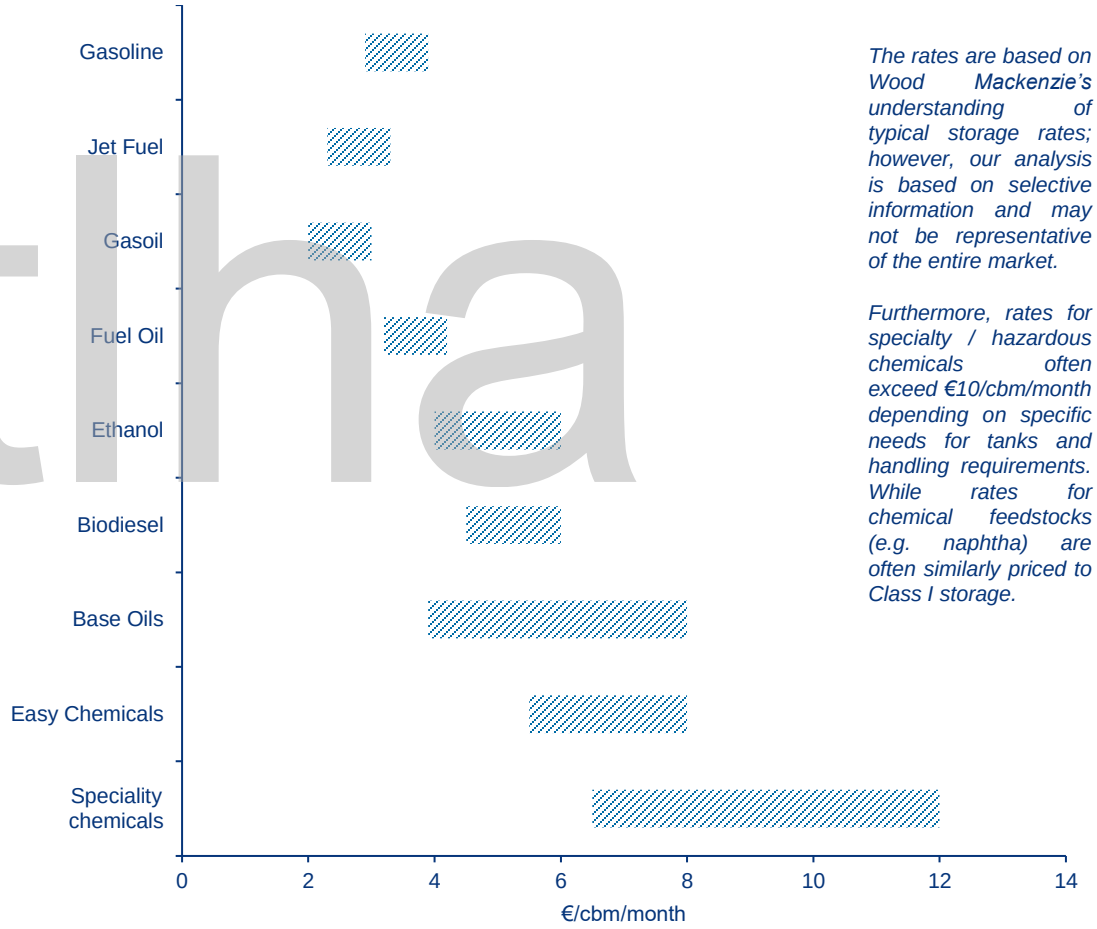
Source: Wood Mackenzie

Class I, II, III reflect product split based on flash point. Class I typically refers to gasoline, Class II to diesel/gasoil, Class III to fuel oil.

Storage rates for chemical and specialty products are expected to be relatively firm as capacity is typically developed for specific customers or product groups

- It is important to note that the storage market is not a liquid and transparent market and is ultimately a service industry and not a commoditised market. Storage rates vary significantly for different terminals. Parameters such as contract duration, leased capacity, expectations for excess throughput and additional fee arrangements will impact the storage fees quoted to a customer. Additionally, facilities with direct pipeline connections can typically command higher rates given their logistic advantage.
- Moreover, the storage market for specialty products is not as 'commoditised' as for oil products and demand for storage is typically driven by specific customer requirements either for off-site storage for nearby chemical facilities (feedstock and products) or import of chemicals/specialty products for distribution into inland markets.
- Off-site/industrial storage is typically designed based on specific customer requirements and storage rates are often driven by investment costs rather than typical market rates. Contract duration for off-site/industrial storage of chemicals is typically long term (>5 years) and terminals are often integrated via pipeline with chemical facilities.
- Distribution storage for specialty products is usually contracted on a medium-term basis and is less dependent on specific terminals compared to off-site/industrial storage.

Typical ARA Storage Rates (Wood Mackenzie's Assessment):



The rates are based on Wood Mackenzie's understanding of typical storage rates; however, our analysis is based on selective information and may not be representative of the entire market.

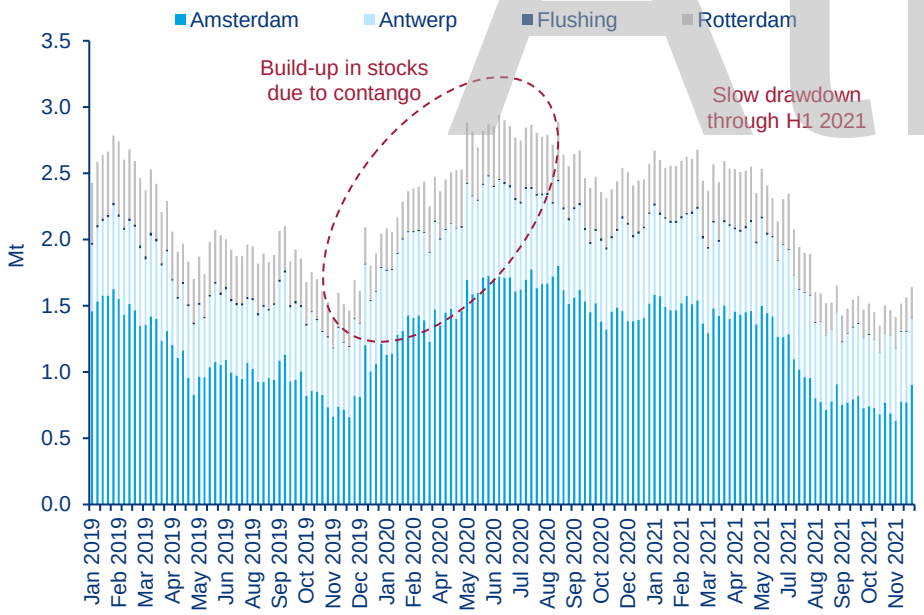
Furthermore, rates for specialty / hazardous chemicals often exceed €10/cbm/month depending on specific needs for tanks and handling requirements. While rates for chemical feedstocks (e.g. naphtha) are often similarly priced to Class I storage.

Source: Wood Mackenzie

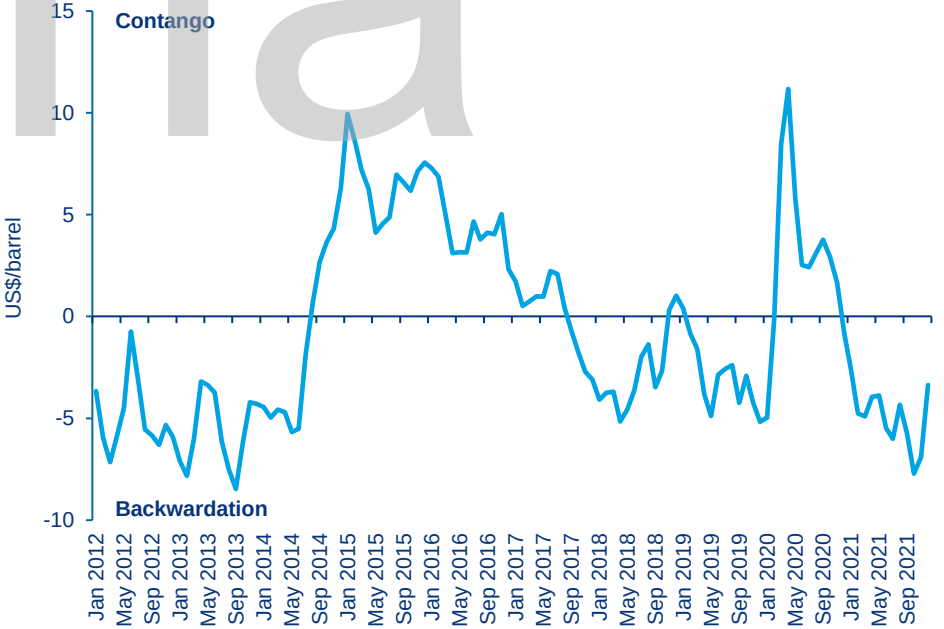
Periods when the market is in contango create additional demand for storage, as industry players increase product stocks to be sold in future at higher prices

- Contango refers to a situation where spot prices are lower than forward prices, providing an economic incentive to hold excess inventory in an oversupplied market. When the contango curve steepens to a point where it more than justifies storage expenses and working capital costs, the demand for incremental storage can be significant.
- For companies trying to capture the contango market opportunity, the storage required for this business does not have to be particularly well-located nor very sophisticated. Therefore, contango storage attracts lower rates, as many terminals qualify for this business. Large-scale terminals in Scandinavia, have historically been used for contango storage opportunities; however, the ARA provides some capacity for contango storage, especially during periods of lower utilisation.
- Contango also incentivizes existing customers to hold higher stocks and often expend their storage requirements.

ARA Gasoline Stocks (2019 – 2021YTD)



Brent Crude Futures (12th Month – Front Month):



Source: Wood Mackenzie, Genscape

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GPS-A is a fully dedicated facility for VARO Energy; capacity is contracted on a long-term basis and all expansion projects were developed to support VARO's integrated trading and distribution business

- The GPS Amsterdam terminal (previously called Hydrocarbon Hotel) was developed in 2011 as an 11 tank, 148,500 cbm capacity terminal. The terminal was developed for the Argos business which held a 50% stake in the facility. Given the merger of VARO with Argos in 2015, the capacity was used by the combined business from 2015. In 2016, VARO acquired the remaining 50% stake and later in the year sold the terminal to GPS Group.
- Phase 2 capacity, commissioned in January 2020, added 6 tanks and increased the terminal's capacity to 281,980 cbm. Phase 3 will add further 17,463 cbm of capacity dedicated for ethanol and a new rail loading facility with maximum throughput capacity of 350k MT p.a.
- Given the phased expansions and new transport modes, contractual arrangements from 2016 have been updated through a number of contract addendums. The current contract term is 31 December 2024. VARO has two extension options, each for a minimum of two years and a maximum of 3 years.
- The average storage rate (2019) is €4.00/cbm. All rates escalate by 50% of Dutch CPI (min. 0%, max. 2%).

Key Contract Terms – Phase 1&2:	Value:
Capacity:	148,500 cbm (Phase 1) 133,480 cbm (Phase 2)
Base rental rate (2019 basis):	Redacted
Rail surcharge (2019 basis):	
Throughput allowance:	148,500 cbm/month (2016) 352,475 cbm/month (2019)

Key Contract Terms - Ethanol:	Value:
Capacity (ethanol):	17,463 cbm
Base rental rate (2019 basis):	Redacted
Throughput allowance:	17,463 cbm per month

Key Contract Terms – Service Fees:	Value:
Excess throughput:	Redacted
Internal tank transfers:	
In-tank mixing (homogenization):	
Ship-to-ship transfers:	

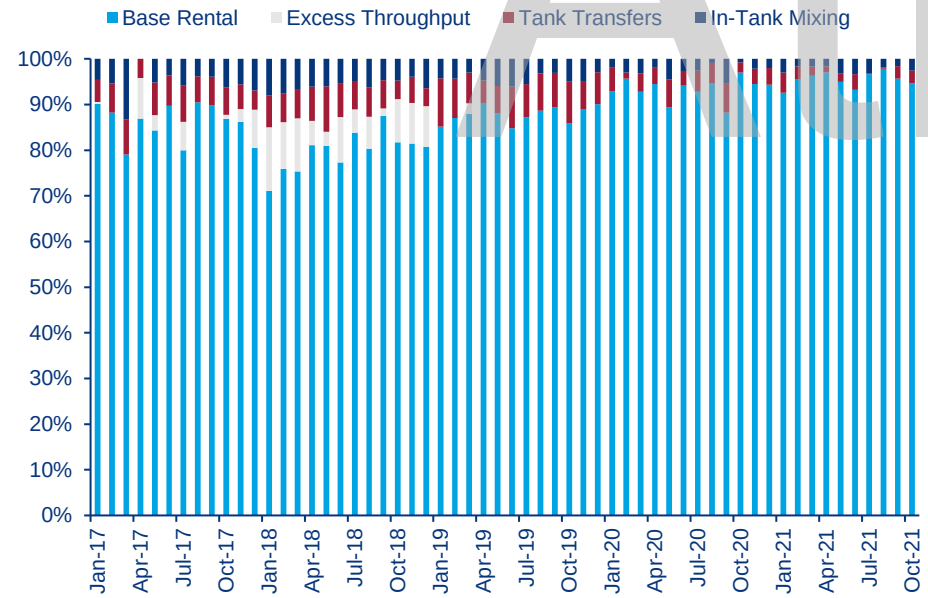
Key Contract Terms – Rail	Value:
Rail service fee (2019 basis):	Redacted
Rail excess throughput (2019 basis):	
Rail Take-or-Pay throughput:	108,000 MT p.a.

Source: Project Tower VDR

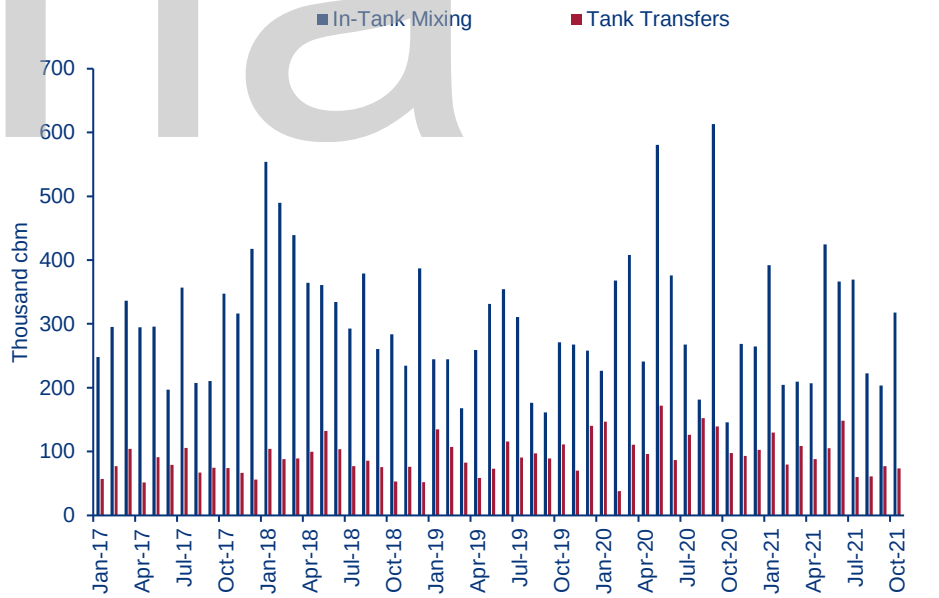
Majority of GPS-A revenue is generated from base rental rate, current ancillary services include blending (internal tank transfers) and in-tank mixing (homogenisation)

- Given the terminal's use for blending gasoline, majority of ancillary services are related to blending (tank-transfers and in-tank mixing/homogenization). Internal tank transfers represent around 70% of the terminal's throughput and are largely driven by blending higher octane gasoline and E85 blends.
- The contracted throughput allowance was updated from 12 tank turns to ~15 tank turns p.a., which reduces space for excess throughput from 2020. Additionally, excess throughput in 2018 is understood to have been mainly driven by disruptions at the Bayernoil refinery and supply disruptions on the Rhine.

GPS-A Revenue Sources:



GPS-A Additional Service Throughput:

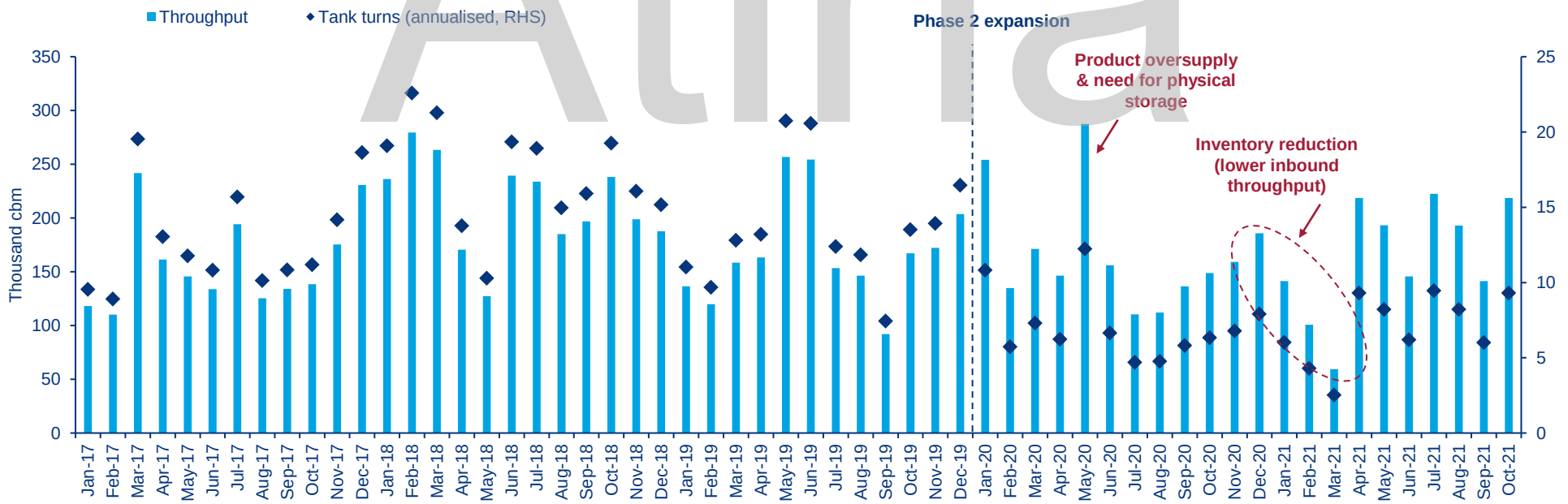


Source: Project Tower VDR

GPS-A capacity is well utilised; however, demand disruptions in 2020 and inventory drawdowns in Q1 2021 have impacted throughput activity and average tank turns

- GPS-A's throughput is dependent on multiple drivers, including demand and it's seasonality, level of competition, price structure and price arbitrage as well as supply constraints and disruptions (e.g. Rhine water levels and VARO's refinery operations), and as a result activity fluctuates throughout the year.
- Since April 2021 (when market conditions stabilized), the terminal has achieved average tank turns around 8.1 p.a. This is lower compared to many trading terminals, but is reflective of distribution terminals and smaller cargoes and higher use of barges compared with inter-regional trading activity.
- 2020 throughput was impacted by sudden demand disruption due to Covid-related restrictions that impacted transport and mobility. As a result there was significant inbound throughput in May 2020 as physical storage capacity was required to hold excess product. As the market moved to backwardation, inventory levels were reduced in early 2021 and throughput levels have stabilised.

GPS-A Throughput and Tank Turns:

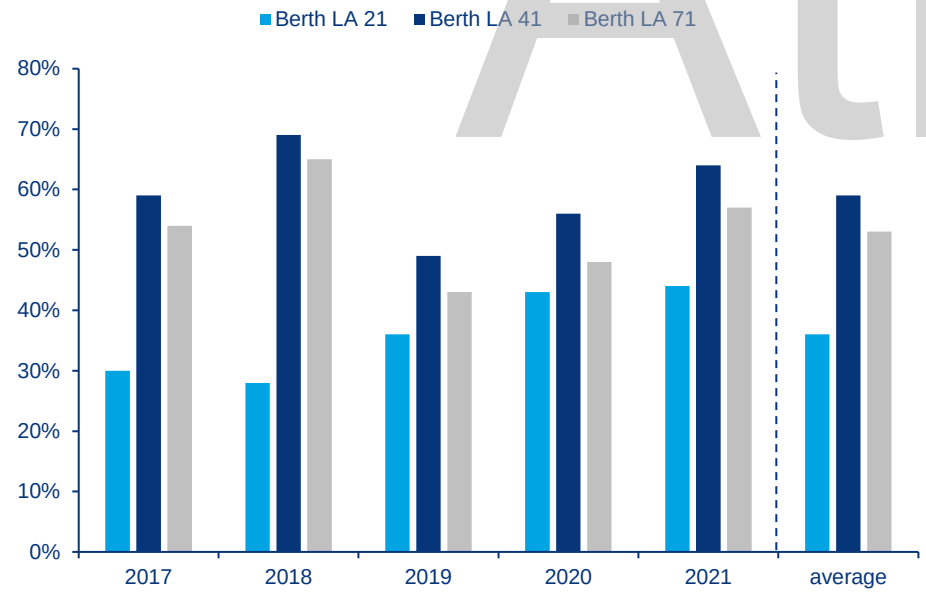


Source: Project Tower VDR

GPS-A has relatively low jetty utilisation; due to berthing capacity being fully dedicated to a single customer, there are no issues with jetty congestion or waiting times

- VARO benefits from dedicated berthing capacity at GPS-A, which reduces any costs associated with demurrage or waiting times. The company can therefore fully control loading and discharging schedules across the three berths. This is a unique characteristic for dedicated terminals and is not common in busy ports in the ARA.
- The terminal's berthing capacity has been designed specifically around gasoline, which is trade on MR vessels (ca. 50k DWT) and distributed regionally on smaller tankers and barges.
- Berth LA 21, which is used for tankers, experiences relatively low utilisation (average of 36% over the last five years). Barging berths are used more extensively given high exposure to local distribution flows; however, utilisation remains at levels which allow to increase throughput without any significant constraints to marine infrastructure.

GPS-A Berth Utilisation:



GPS-A Berth Access & Use:

	Berth LA 21	Berth LA 41	Berth LA 71
Max. DWT	55k DWT	15k DWT	15k DWT
LOA	185m	-	-
Draft	14m	14m	14m

	Berth LA 21	Berth LA 41	Berth LA 71
% of vessels:	78%	18%	4%
% of barges:		50%	50%

Source: Project Tower VDR

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VARO operates across a number of NW European fuels markets, maximising value from optionality in supply and integration between the markets

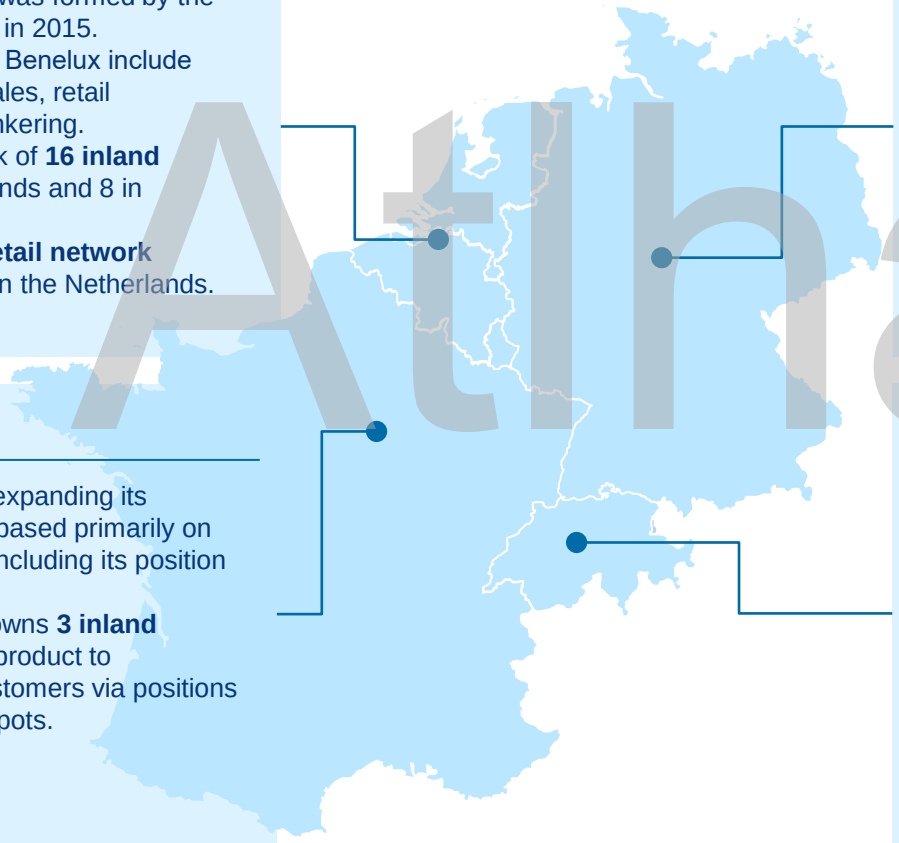
Overview of VARO Energy Market Positions:

Benelux

- The Benelux value chain was formed by the merger with Argos Group in 2015.
- VARO's operations in the Benelux include wholesale, commercial sales, retail operations and inland bunkering.
- VARO operates a network of **16 inland depots** (8 in the Netherlands and 8 in Belgium).
- The company has **own retail network consisting of 179 sites** in the Netherlands.

France

- VARO Energy has been expanding its operations in the France based primarily on its Benelux value chain (including its position at GPS-A).
- In France, the company owns **3 inland depots** and markets the product to commercial and retail customers via positions across >30 third-party depots.



Germany

- VARO operates two distinct value chains in Germany: **North Germany**, which comprises a network of depots (following acquisition of Petrotrank business in 2013) and retail business; and **South Germany**, which is primarily linked to the company's stake in the **217kb/d Bayernoil refinery** (acquired from OMV in 2014).
- Overall, the company operates a network of **17 inland depots and 55 retail sites** in Germany.

Switzerland

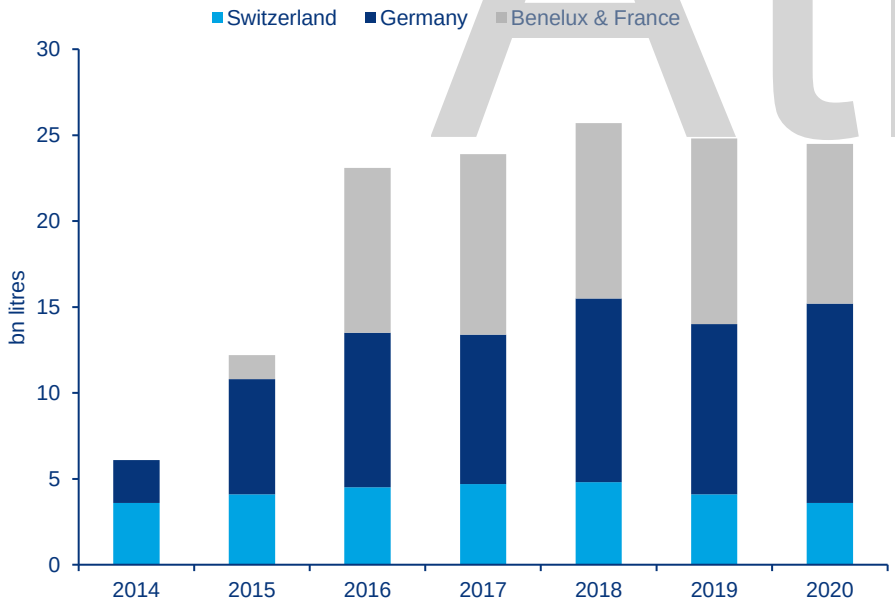
- VARO Energy was created with the acquisition of the Petroplus business in Switzerland in 2012, which included the **68kb/d Cressier refinery**, inland terminals and distribution business.
- Apart from supply from the refinery, VARO also imports product via the Rhine corridor and Med France (via SPMR product pipeline from Fos-sur-Mer to Geneva).
- The company has own network **of 6 depots** and owns **2 retail sites**.

Source: VARO Energy website, Wood Mackenzie

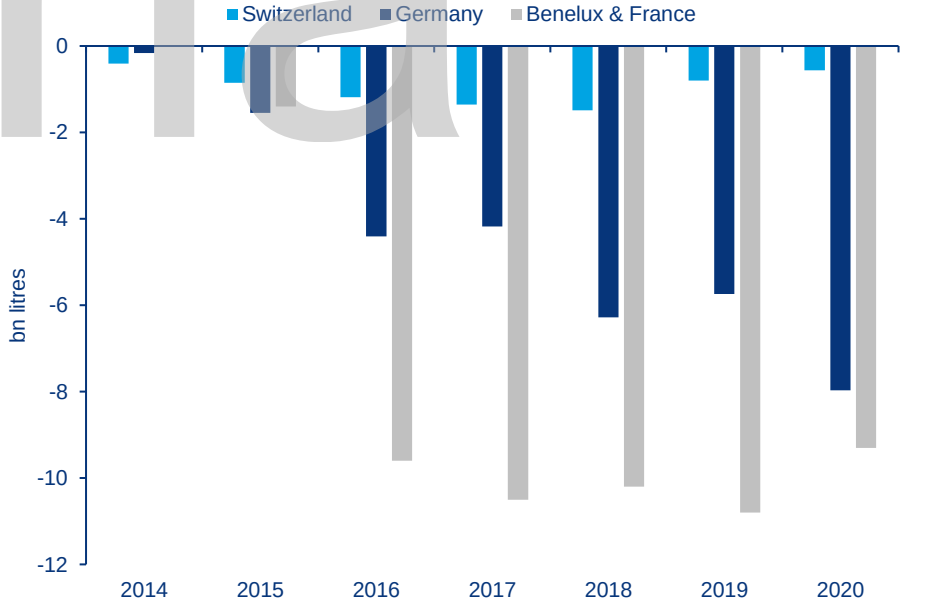
Despite refinery ownership, VARO is structurally ‘short’ in product and relies on import terminals such as GPS-A for access to supply; VARO’s main ‘short’ is in the Benelux and France

- VARO’s business combines own refinery supply and supply from third party refineries, benefiting from optionality is supply sources. As a result, the company is structurally deficit and relies on access to storage infrastructure such as the GPS-A terminal. The company’s key deficit market is the Benelux and France given lack of own refinery supply.
- Additionally, position at GPS-A allows VARO to blend gasoline benefiting form blending economics as well as remaining flexible in supplying different gasoline grades as well as different ethanol blends to target markets. VARO is also understood to be a significant trader of biotickets and biocertificates (e.g. HBEs in the Netherlands and GHG certificates in Germany), which enables the company to capture additional value from ethanol blending operations.

VARO Energy Sales Volumes:



VARO Energy Product Balance*:



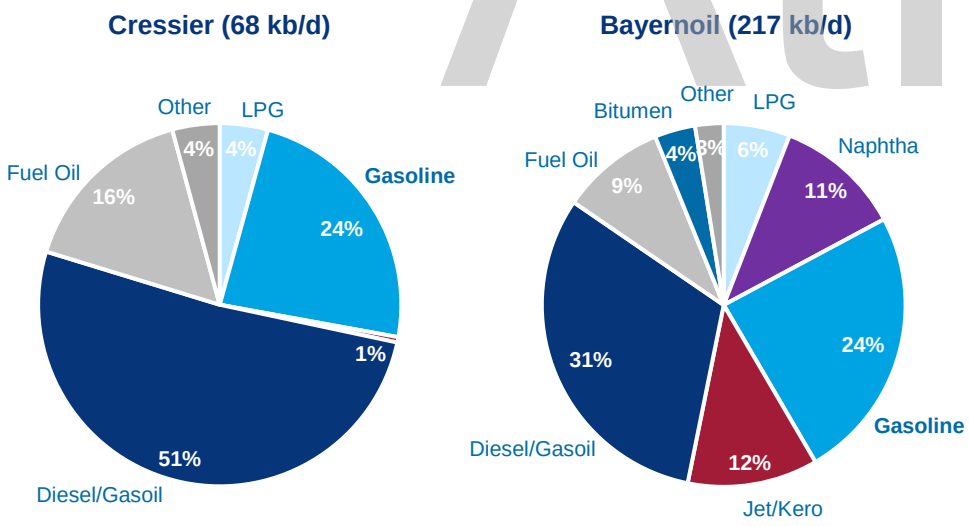
Source: VARO Energy Annual Report 2020, Wood Mackenzie

*Estimated based on Wood Mackenzie's view on refinery production.

VARO's Benelux gasoline short is primarily dependent on the company's position at GPS-A; due to disruptions at the Bayernoil refinery, import requirements are also increasing in Germany

- We have estimated VARO Energy's gasoline balance based on refinery production from Cressier and Bayernoil and our estimates for VARO's gasoline sales in each of the markets.
- Our estimates for VARO's gasoline balance in the Benelux and France corresponds to GPS-A throughput, which points to high dependency on the terminal for VARO's gasoline business in these markets. Additionally, as a result of disruptions at the Bayernoil refinery in 2018, the company's gasoline deficit has further increased.
- We understand that in addition to GPS-A, which mainly handles gasoline supply to VARO's business in the Benelux and France, the company also sources gasoline from local refineries.

VARO Energy Refinery Yields:



VARO Energy Gasoline Balance*:

Redacted

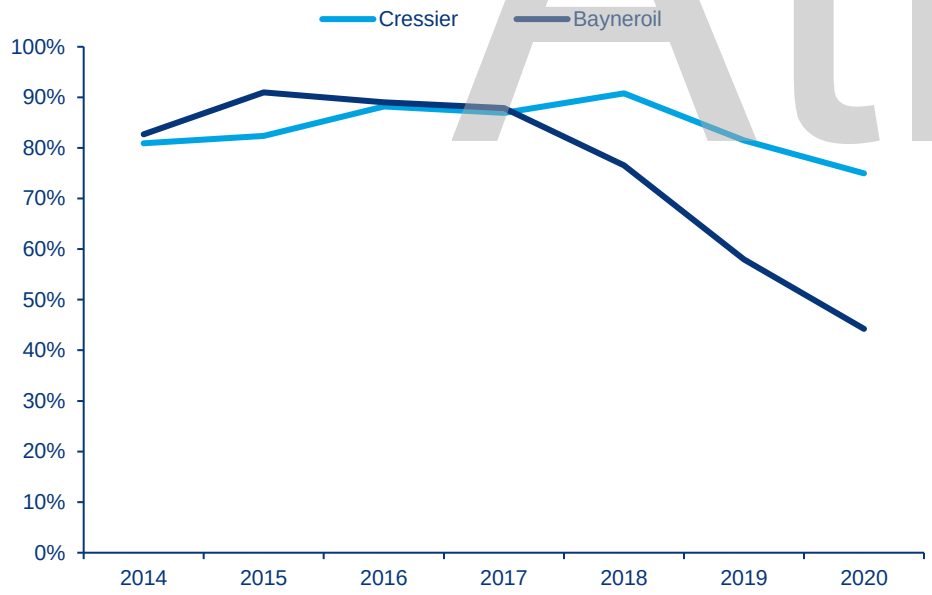
Source: Wood Mackenzie

*Estimated based on total VARO sales volumes and Wood Mackenzie's assumptions on gasoline market share and refinery production

VARO's lower refinery utilisation and disruptions at the Bayernoil refinery are contributing to increasing importance of supply through coastal storage terminals

- VARO's gasoline import requirements have increased since 2018 due to disruptions at the Bayernoil refinery caused by an explosion and fire of the FCC unit at the refinery's Vohburg site. Based on information available to Wood Mackenzie, the 28,500 b/d FCC unit has not been restarted since 1 September 2018. Given importance of the FCC unit to the refinery's gasoline blending pool and damage to other units relevant for gasoline production, VARO has largely relied on gasoline supply from other refineries in Germany as well as from imports. Since 2018 Bayernoil has operated the refinery with an overhang of straight-run capacity, which limits utilisation and marketability of production.
- The impact was further intensified by loss of market demand and low refining margin environment in 2020 due to the Covid-19 disruption, which impacted utilisation at both Bayernoil and Cressier refineries.
- Lower refinery utilisation and domestic gasoline supply would further increase the need for gasoline import and blending capacity at GPS-A, which has connectivity via the Rhine corridor and rail (from 2022) to supply into Germany and Switzerland.

VARO Refinery Utilisation*:



Bayernoil and Cressier Refinery Net Cash Margins (NCM):**

Redacted

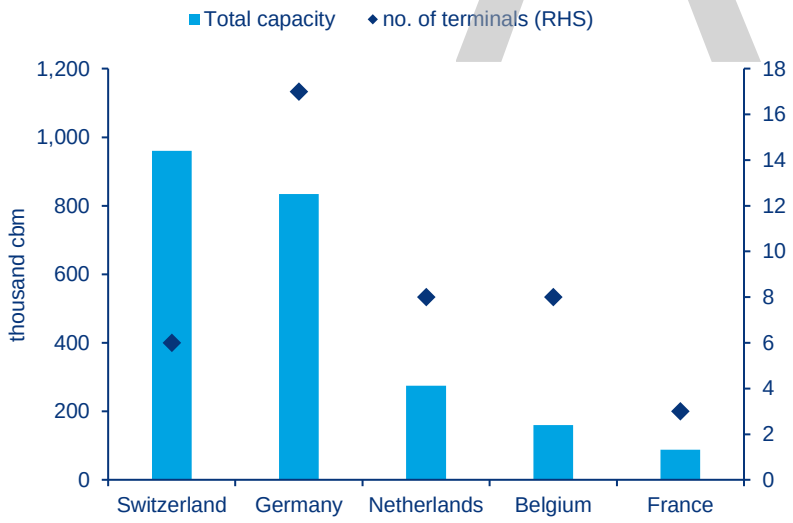
Source: Wood Mackenzie

*Wood Mackenzie estimates, crude utilisation rate only.
**NCMs are assessed based on Wood Mackenzie's refinery models and assumptions and not reported financials.

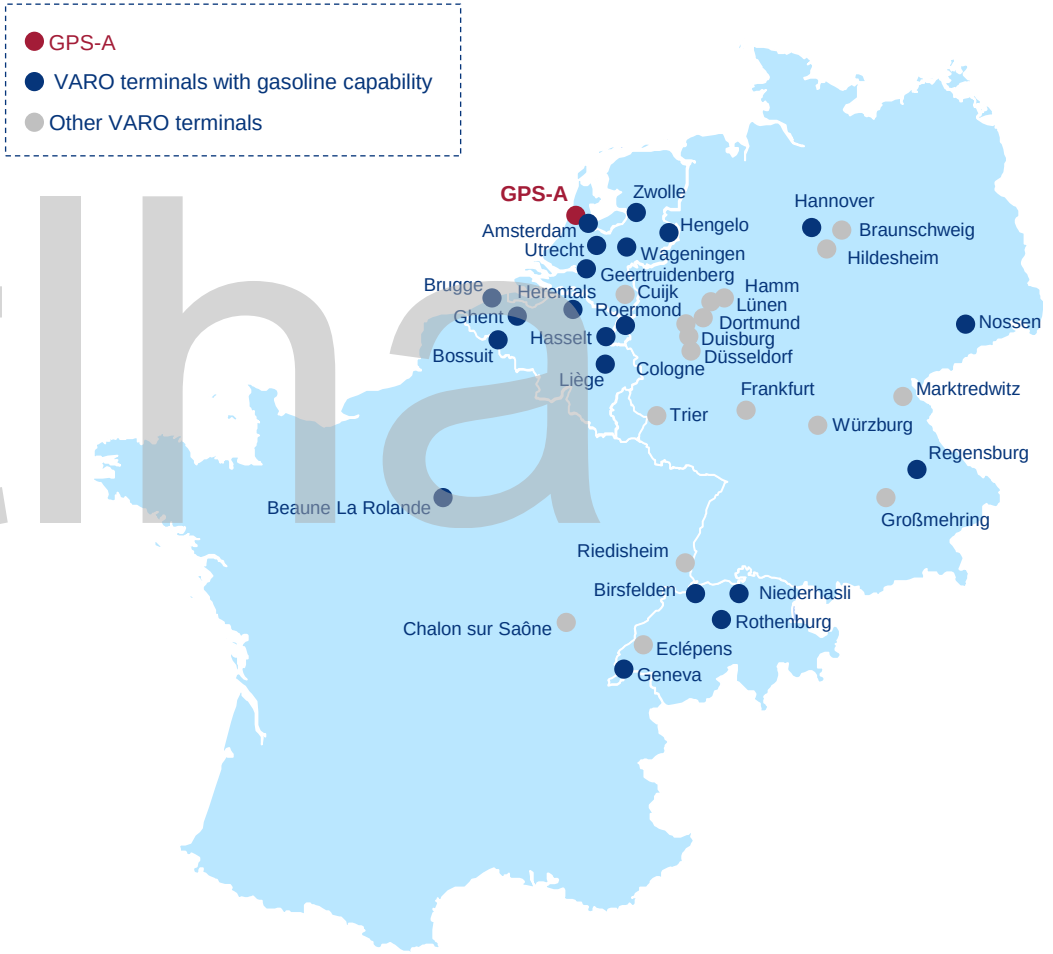
VARO's storage position at GPS-A is supported by a network of inland distribution terminals

- GPS-A is central to VARO's gasoline operations in NW Europe. The company's network of depots support inland distribution and wholesale operations and are not competing with operations at GPS-A. Additionally, a number of inland depots either do not offer class I capacity suitable for gasoline, or have limited blending capabilities.
- In addition to own terminals the company also leases capacity or has supply arrangements at third party depots and terminals. Based on tanker data, we understand VARO has storage positions at coastal terminals in France and in Hamburg; however, these are operated in connection with GPS-A.

VARO Energy Inland Terminals by Capacity:



VARO Energy Inland Terminal Network:

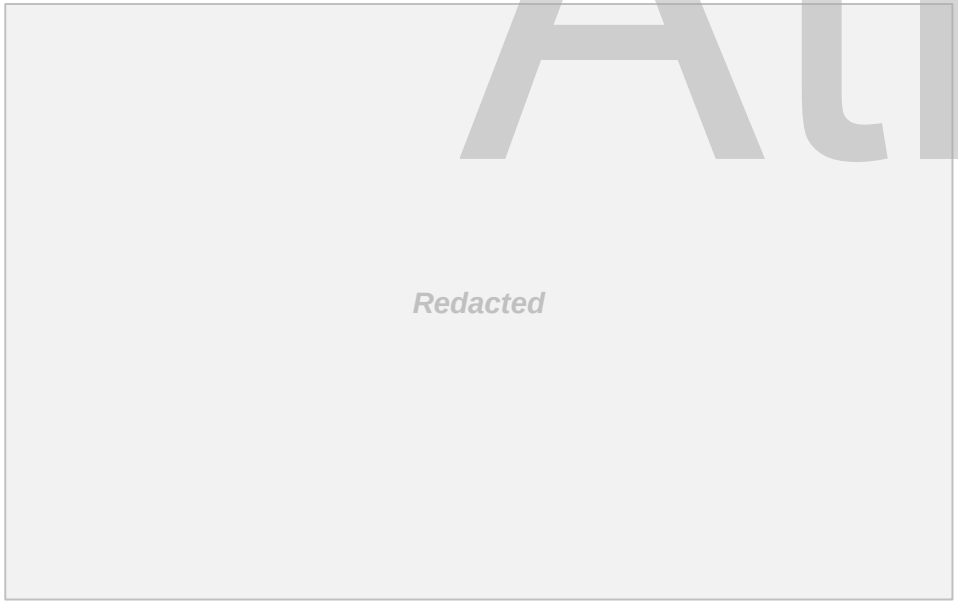


Source: VARO Energy website, Wood Mackenzie, TankTerminals

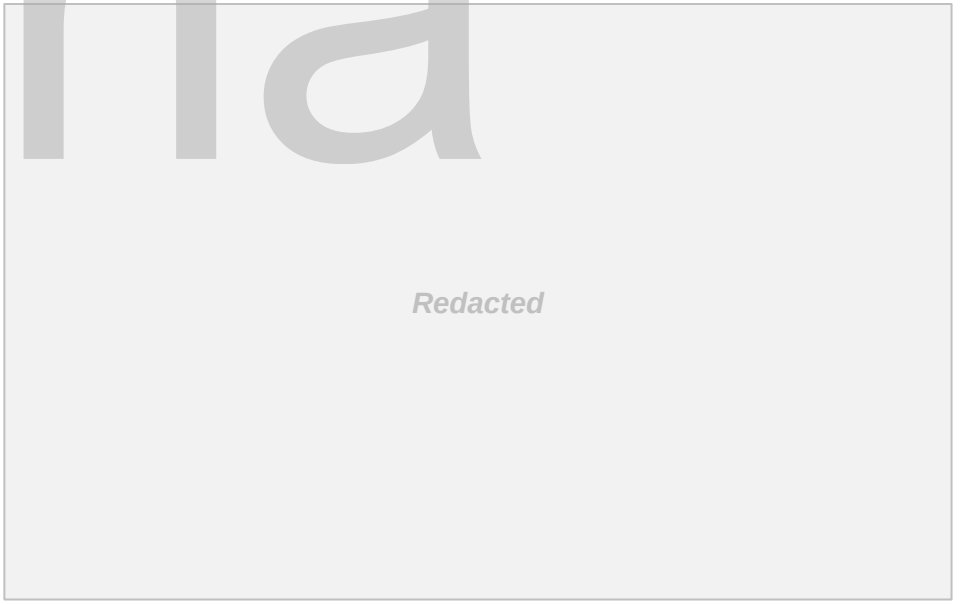
GPS-A's inbound throughput is driven both by local supply by barges and import flows from regional refineries; outbound throughput consists of both barges to inland destination and regional distribution via tankers

- Annualised 2021 throughput suggests increased outbound activity compared to 2020 given gasoline demand recovery. Lower inbound throughput has largely resulted from oversupply markets in 2020 and stock drawdowns in Q1 and Q2 2021. This is in line with the wider gasoline stock positions in the ARA market, which have declined from ca. 2.6 Mt in January 2021 to ca. 1.5 Mt in November 2021.
- The level of barge movements (both inbound and outbound) suggests strong distribution focus, which is linked to VARO's inland market positions. Additionally, the tanker movements are largely within the NW Europe region and the terminal is not exposed to long-haul gasoline trading.
- In addition to tanker/barge supply, the terminal also receives some smaller volumes of butane for trucks for gasoline butanisation.

2020 GPS-A Throughput by Transport Mode:



2021 GPS-A Throughput* by Transport Mode:



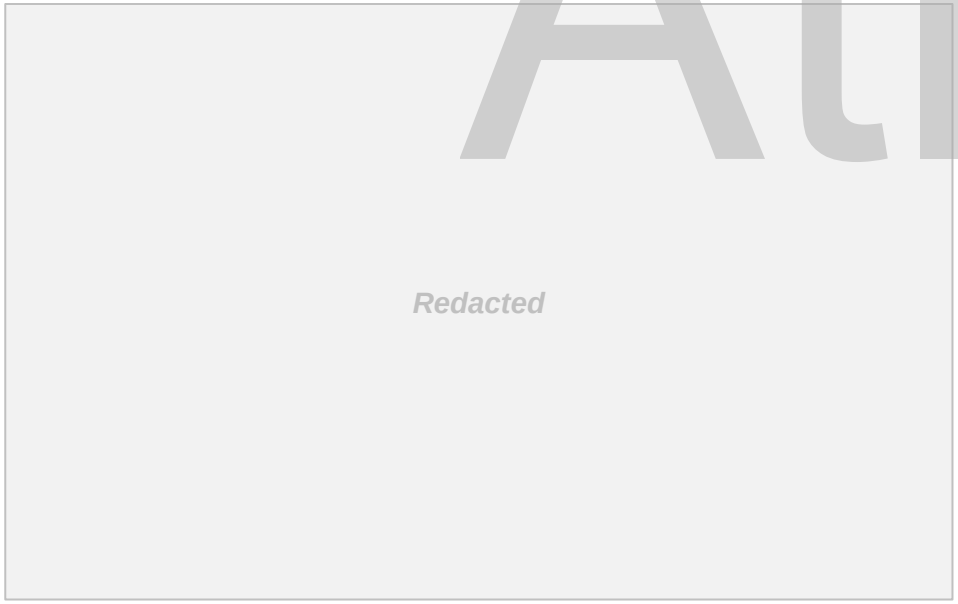
Source: Project Tower VDR

*Annualised based on information available to mid-October

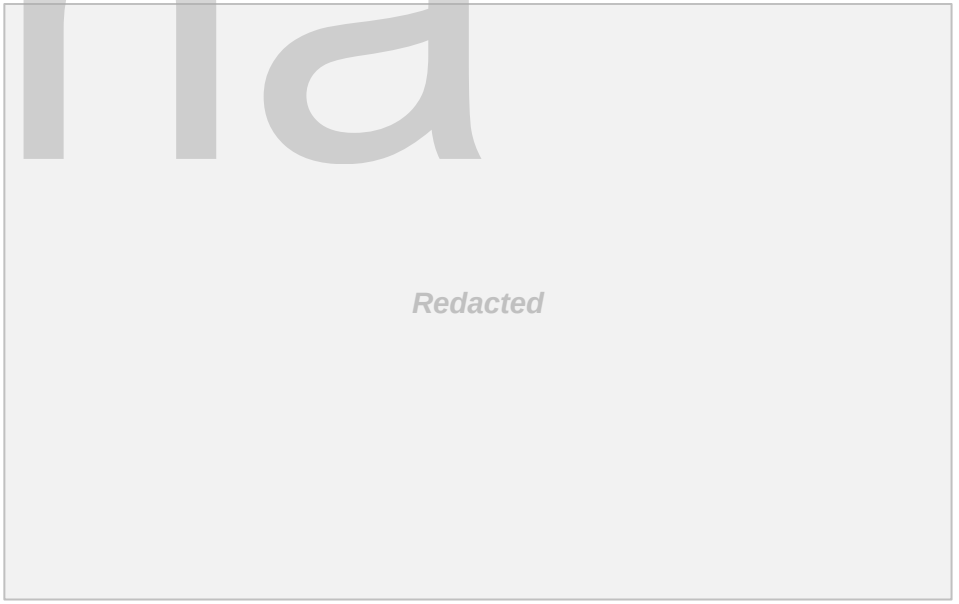
GPS-A is critical to VARO's gasoline blending operations; the terminal supports import of blending components from various location to produce various gasoline grades and E85

- The terminal relies on a wide range of gasoline components, including high and low octane components, as well as Eurobob cargoes, to produce different marketable gasoline grades.
- Ethanol is typically blended to produce E85 grade, which is distributed to distribution depots in the Benelux and outbound throughput of pure ethanol is limited. We understand that VARO's supply of E85 grade is primarily linked to the company's strong position in bioticket generation and trading.
- VARO also trades some gasoline blending components through GPS-A. These components are mainly traded in the local ARA market. Occasionally, the terminal also handles smaller volumes of other products, including diesel, HVO and FAME

2020 Throughput by Product/Component:



2021 Throughput by Product/Component:



Source: Project Tower VDR

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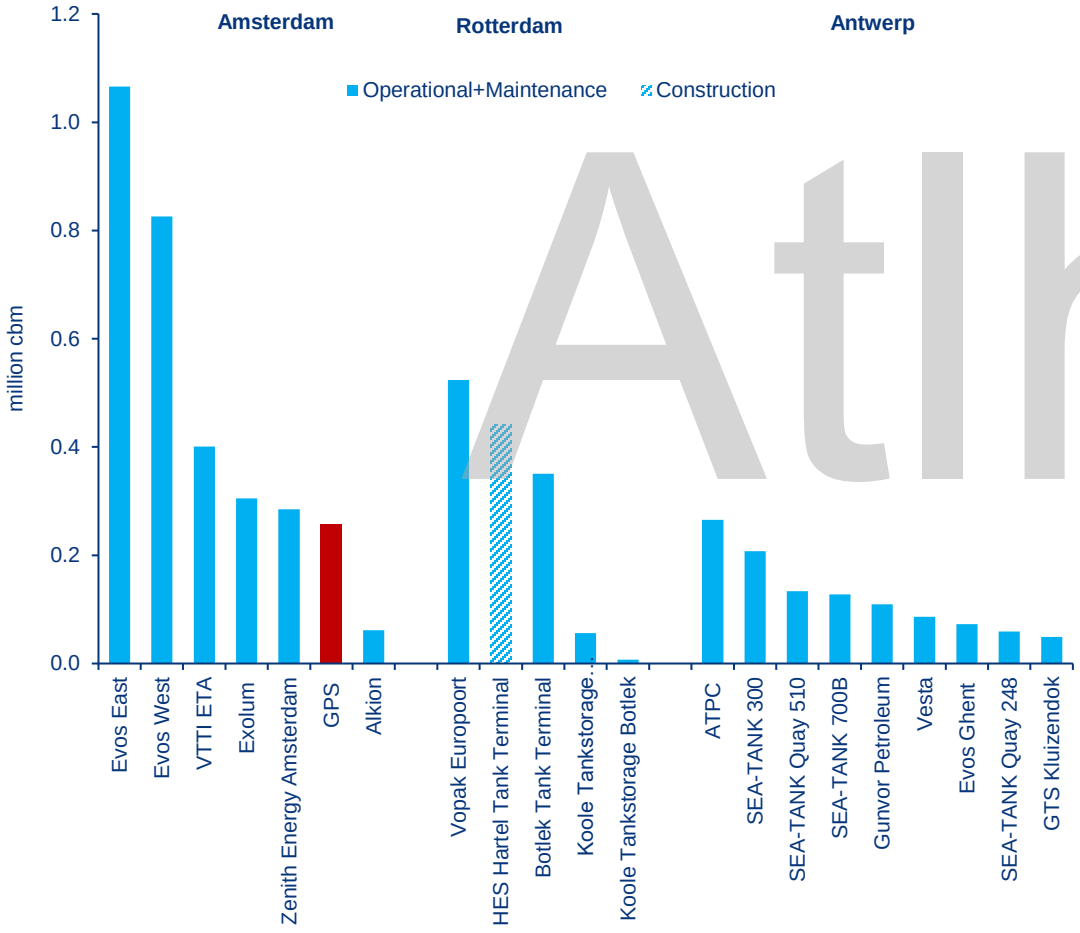
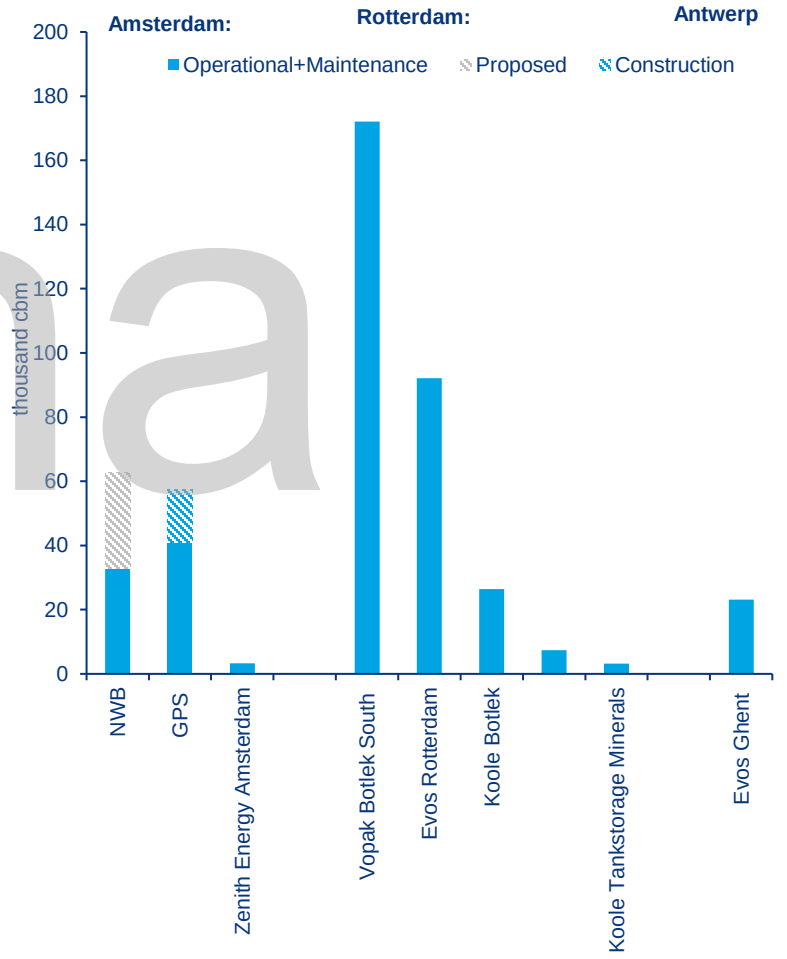
GPS-A is a dedicated terminal and does not directly compete with large gasoline trading terminals in Amsterdam; the terminal's ethanol capabilities and new capacity will make it one of the leading ethanol facilities in ARA

ARA Terminals by Gasoline (incl. components) Capacity:



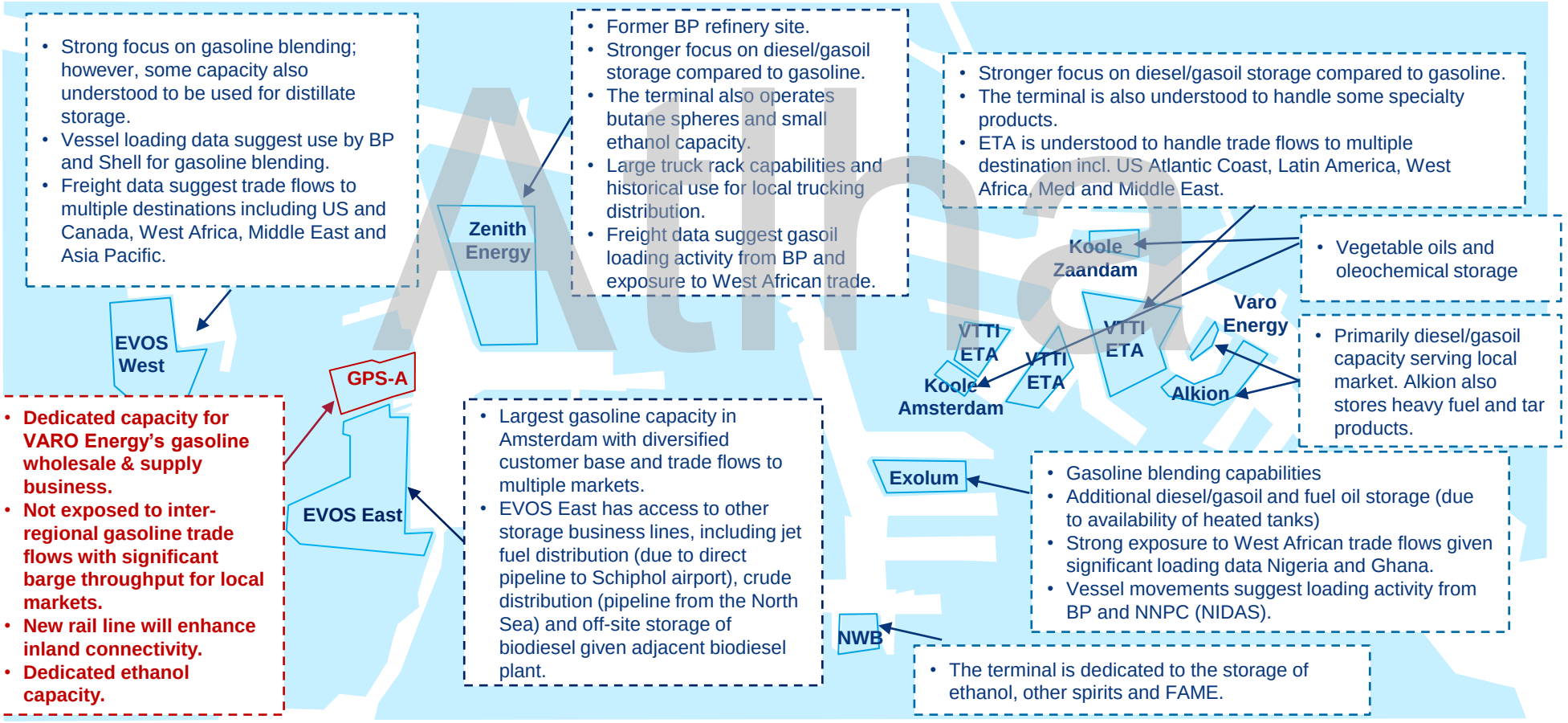
ARA Terminals by Ethanol Capacity:



Note: Total capacity based on Wood Mackenzie/Genscape estimates, including operational/maintenance capacity and capacity under construction. ARA excluding captive and refinery capacity
Source: Wood Mackenzie

GPS-A is not exposed to inter-regional gasoline trade flows, which are primarily handled by the larger gasoline blenders in Amsterdam; the terminal's ethanol and transport capabilities to inland markets are a unique feature

Key Competing Terminals in the Port of Amsterdam:



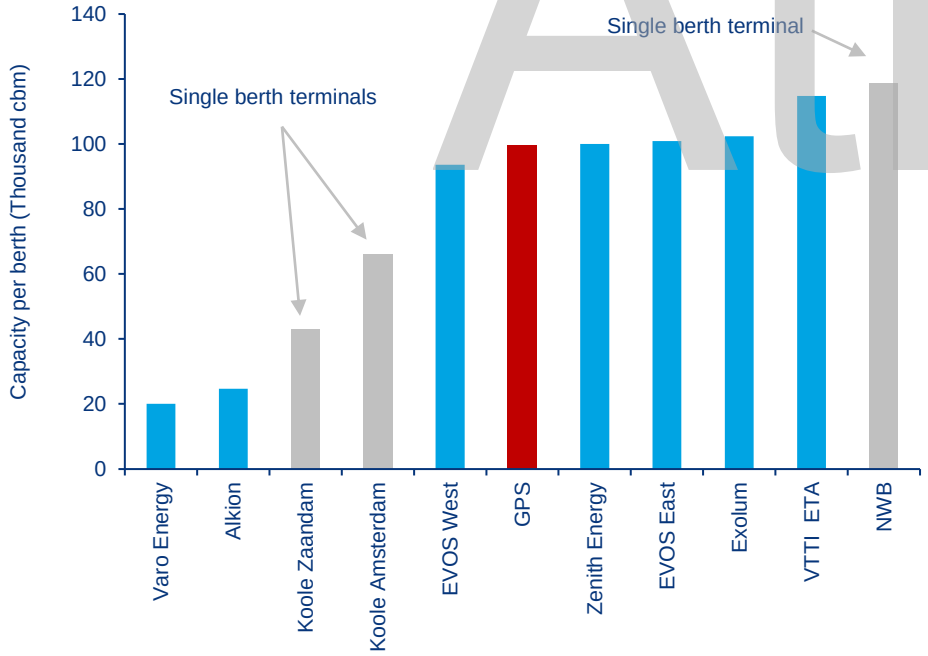
We do not expect any additional land to be developed for gasoline storage given constraints and polices set by the Port of Amsterdam.

Source: Wood Mackenzie

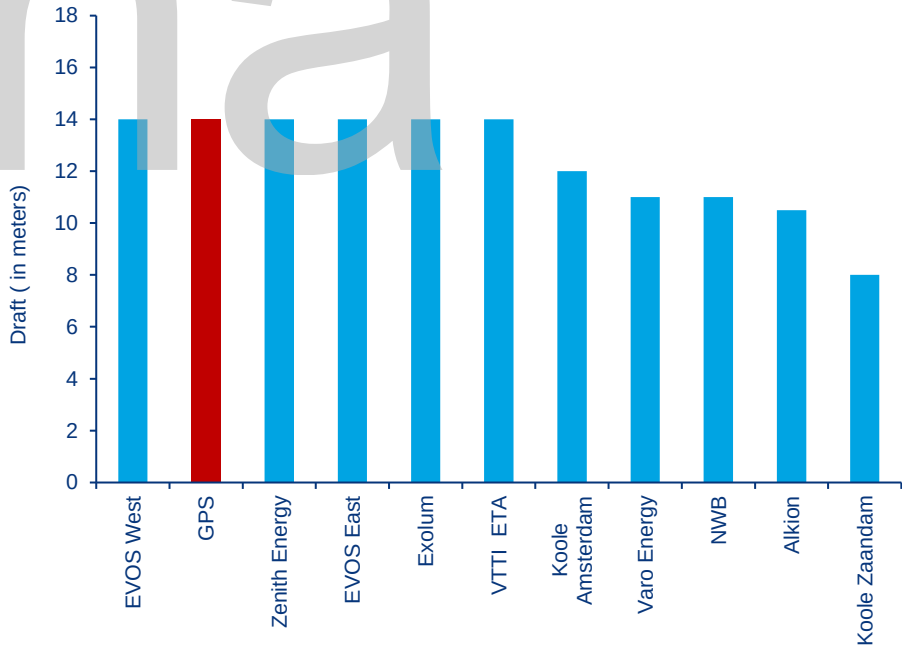
GPS has access to similar draft as well as berthing capacity (relative to storage capacity) as other gasoline terminals in Amsterdam

- Terminals in Amsterdam primarily rely on marine and barge access for gasoline blending and diesel/gasoil transshipment. Some terminals in Amsterdam also offer inland connectivity, e.g. Zenith has large truck loading racks, while VTTI ETA, Alkion and NWB are understood to have access to rail loading; however in the case of VTTI and Alkion this is understood to be primarily for diesel. Pipeline connectivity is rare compared with other ARA ports and only EVOS East is understood to have pipeline connectivity (to Schiphol airport and a North Sea crude line).
- GPS-A's marine infrastructure supports typical gasoline tankers of up to 55k DWT (MR vessels) and the terminal offers two barging berths, given the terminal's focus on supporting regional gasoline distribution. Addition of rail connection will further enhance hinterland connectivity, while dedicated ethanol tanks will support meeting increasing ethanol blending mandates.
- Most of the terminals in Amsterdam are multi-user facilities and do not offer dedicated berths (which reduces waiting times, congestions and associated costs). We see this as one of the advantages and unique selling points of the terminal compared with competing infrastructure in Amsterdam.

Amsterdam Terminals by Marine Infrastructure:



Amsterdam Terminals by max. Draft:



Source: Company websites, TankTerminals, Wood Mackenzie analysis

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Our base case inputs to the Business Plan assume VARO to remain at the terminal; however, we have also provided additional cases to sense-check viability of the business over the long-term

SCENARIOS:	KEY ASSUMPTIONS:	WOOD MACKENZIE COMMENTARY:
BASE CASE: **VARO remains at GPS-A over the long-term**	• Phase 1 & 2 throughput driven by existing VARO positions and local market fundamentals • Additional growth from Phase 3 (outbound ethanol supply) and rail capability (inbound component flow, flows to Germany and consolidation of VARO's supply)	• We expect VARO to remain at the terminal, given importance of the terminal to VARO's supply in the Benelux and France, as well as growing gasoline deficits in Germany and importance of ethanol supply to inland markets in Germany and Switzerland. We also expect VARO Energy to take advantage of gasoline deficits to increase its market share. • Additionally, the capacity has been developed specifically for Argos/VARO and expansions and transport capabilities have been coordinated with VARO. Varo also benefits from the terminal's dedicated marine infrastructure. • We have not identified any significant risks to VARO's position at the terminal and we are not aware of any competing storage positions (VARO's storage positions in NW France and in Hamburg are, in our opinion, complementary to flows from GPS-A).
SENSITIVITY CASE 1: **VARO leaves the terminal in 2025**	• Market-driven scenario reflecting typical ARA storage market conditions, i.e. average tank turns and implied throughput level, average ethanol blend rates and links to average market storage rates.	• The case reflects market conditions that would be achievable for GPS-A in an event of VARO not renewing its contract. • We have not speculated on potential future user and their profile (e.g. gasoline trader, surplus refiner, fuel distributor) and instead reflected average ARA market conditions. However, we would assume that the terminal would be used by a single customer and retain its premium for jetty availability (*the terminal is fully capable to handle two or more customers although some of the unique benefits of a fully dedicated facility would be lost*). • We have assumed that the terminal's value-add features, including dedicated ethanol capacity as well as rail and barge capability would also attract some distribution volumes.
SENSITIVITY CASE 2: **Accelerated Energy Transition**	• The case reflects market fundamentals for new fuels that could replace conventional gasoline/ethanol flows in the event of accelerated energy transition.	• The case reflects dynamics for Hydrotreated Vegetable Oils (HVO) and Sustainable Aviation Fuels (SAF), given a number of announced supply projects, existing and upcoming legislation as well as ease of transport of these products. • GPS-A has handled smaller volumes of HVO and bio-naphtha and these products are not expected to drive significant tank repurposing or CAPEX requirements, apart from separated piping and handling systems.

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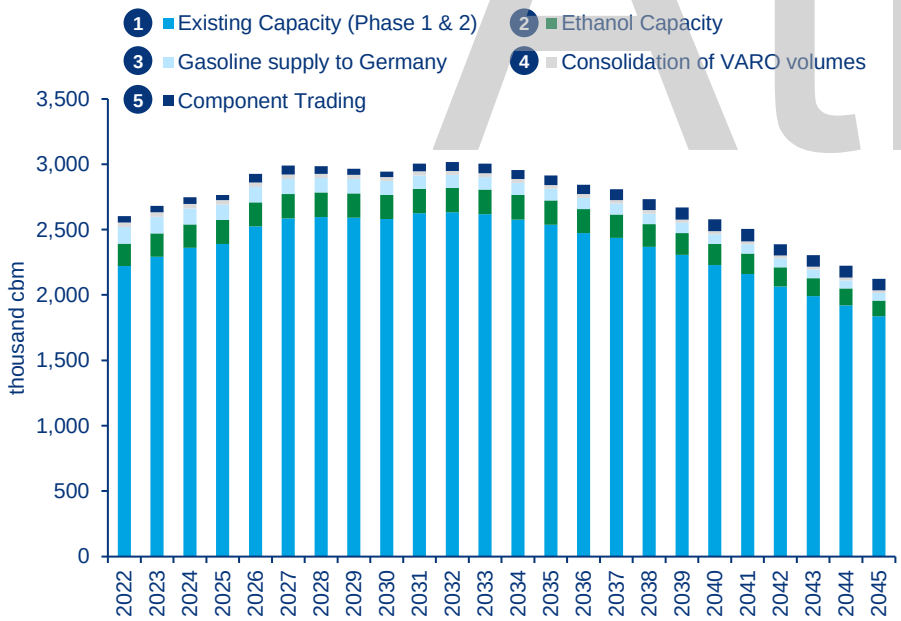
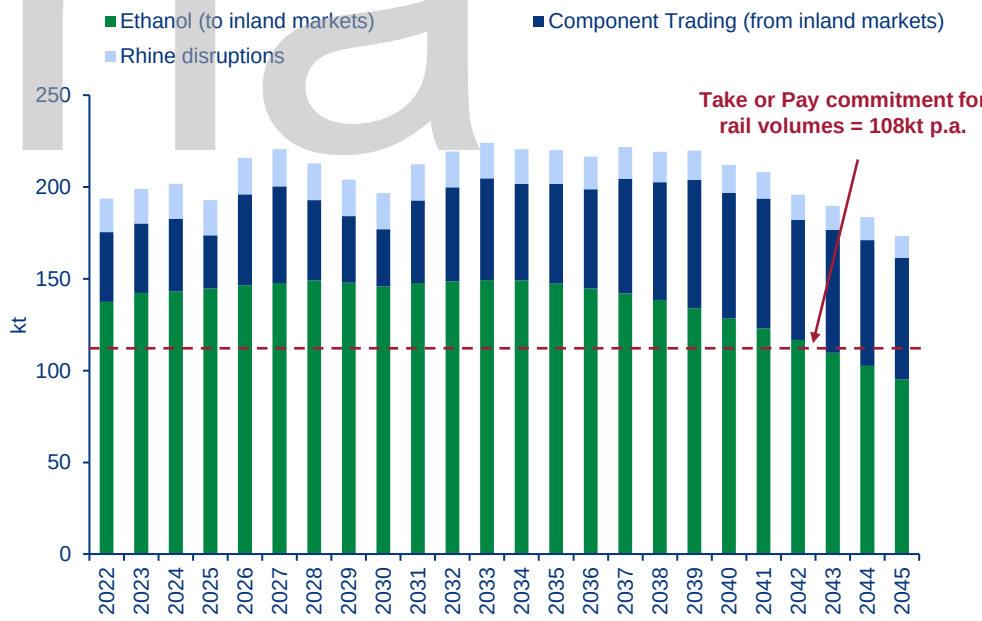
Phase 3 storage expansion and rail connectivity will allow the terminal to capture additional product and geographical flows

- We have developed a forecast and associated assumptions for GPS-A throughput for the base capacity and additional flows enabled by Phase 3 expansion. This includes:
  1. Existing phase 1 & 2 capacity – throughput is based on demand for gasoline, E85 and component trade in individual end markets and growth in the independent fuel marketing sector;
  2. New ethanol capacity – throughput is based on Wood Mackenzie's estimates of VARO's ethanol requirements in hinterland markets, accessible by rail;
  3. Additional flows to Germany created by a step-change in import flows as domestic demand recovers but supply remains under pressure;
  4. Consolidation of other supply from ARA to VARO terminals enabled by transfer of ethanol capacity from a competing terminal;
  5. Inbound rail throughput of gasoline blending components from the Bayernoil refinery.

GPS-A Throughput:



GPS-A Rail Volumes:



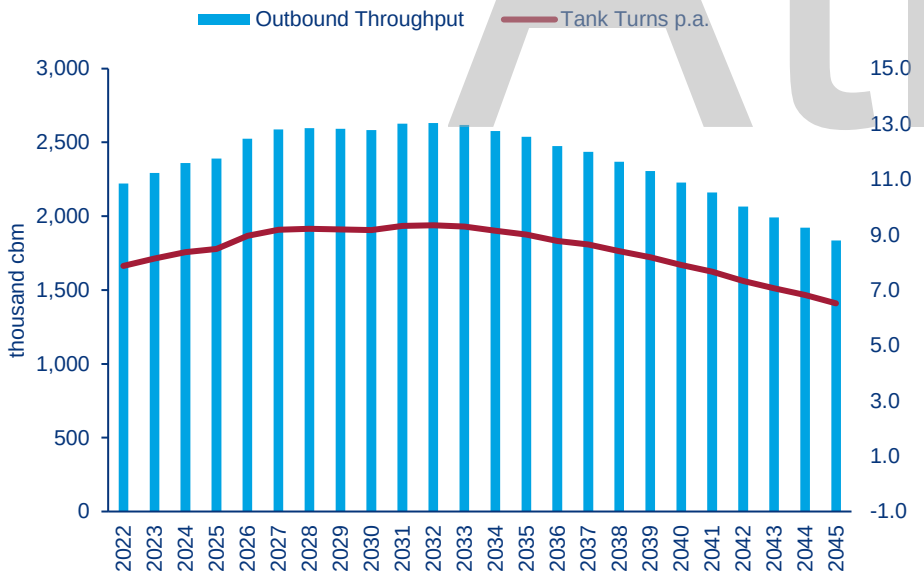
Source: Wood Mackenzie

We expect throughput expansion in the near-term for base business (Phase 1 & 2 capacity) driven by demand recovery, higher demand for E85 and further disintegration of traditional fuel value chains in NW Europe

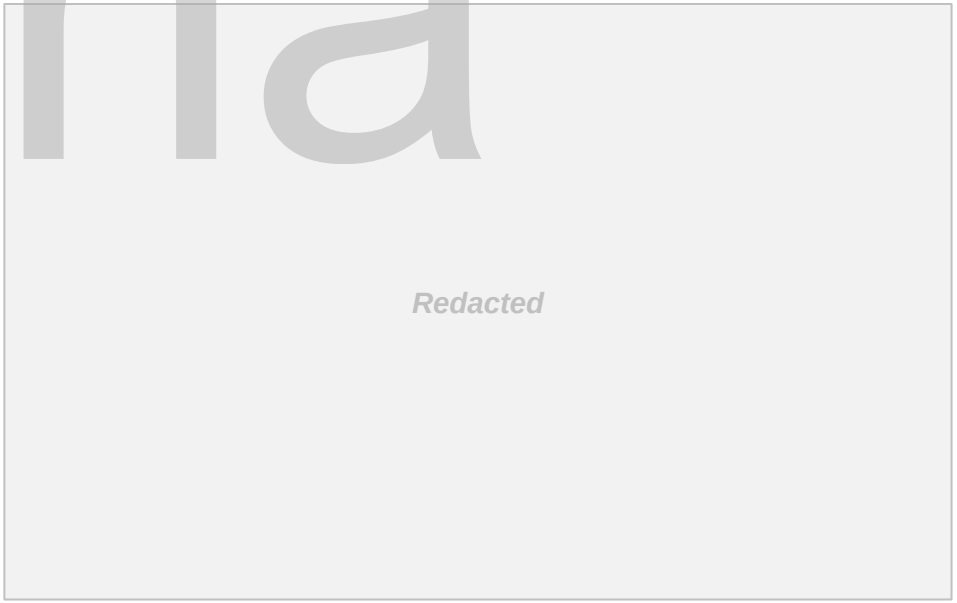
- Our throughput assumptions are based on detailed review of existing supply sources and key product destinations for both tanker and barge supply. We have modelled demand for gasoline, E85 blend and ethanol and component trade.
- Given that VARO Energy is primarily active in wholesale and supply business, the exit of traditional fuel players and oil majors enables the company to gain additional market share. We have included additional assumptions for growth of the independent fuel sector (which VARO primarily supplies into) based on the average growth of market share in the last 5 years as follows:

Netherlands: **1.2%**	Belgium: **1.3%**	France: **0.8%**	Germany: **0.3%**	Spain: **0.3%**

1 GPS-A Outbound Throughput & Tank Turns:



1 GPS-A Outbound Throughput by Transport Mode:

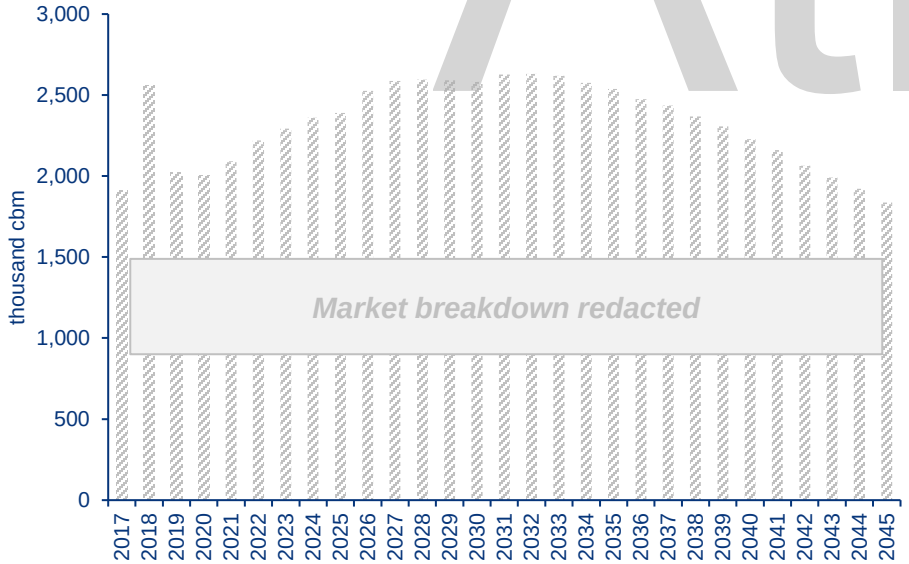


Source: Wood Mackenzie

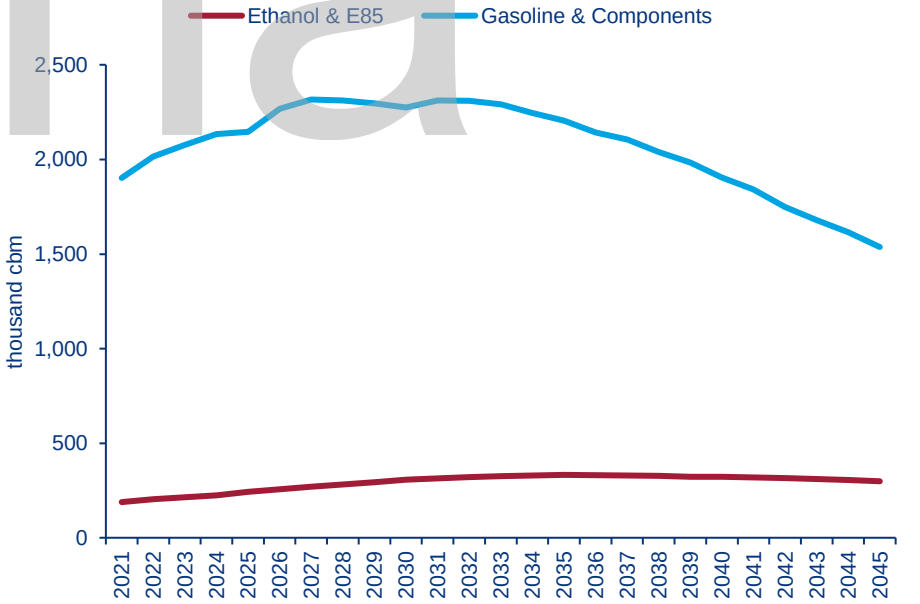
Outbound flows to markets where VARO has higher ethanol and E85 positions will be more resilient to demand declines over the longer-term

- Gasoline demand is expected to decline over time and throughput to destinations to which VARO supplies typical gasoline grades are expected to fall around 2030.
- We expect continued demand growth for ethanol and high-ethanol gasoline blends (e.g. E85) in markets where VARO benefits from bioticket trading schemes and incentives (e.g. HBE system in the Netherlands).
- Gasoline component trading remains relatively low; however, we expect additional demand in the long-term as NW European gasoline and component surpluses grow and the ARA market will need to clear excess gasoline in international markets.

1 GPS-A Outbound Throughput by Destination:



1 GPS-A Outbound Throughput by Product:



Source: Wood Mackenzie

There is little exposure to inter-regional gasoline trade and nearly all tanker flows support VARO's supply & wholesale business; ethanol and component seaborne trade is minimal

Redacted

1 GPS-A Outbound Throughput (Tankers) by Destination:

Redacted

1 GPS-A Outbound Throughput (Tankers) by Product:

Redacted

Source: Wood Mackenzie

Outbound barges are expected to primarily supply the local Benelux market and France via Strasbourg

Additional flows to Germany and Switzerland as a result of ethanol and rail capabilities have been modelled to reflect Phase 3 impact

1 GPS-A Outbound Throughput (Barges) by Destination:

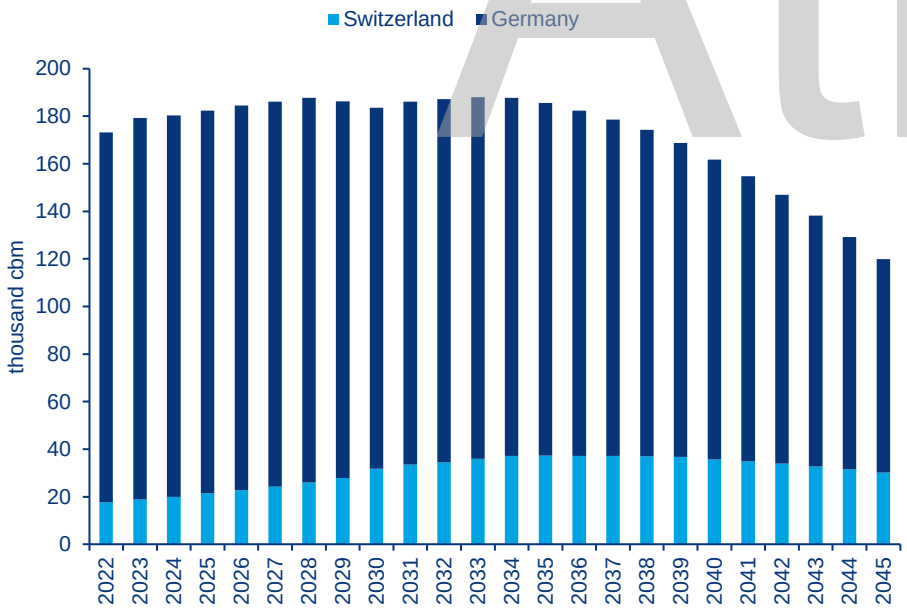
1 GPS-A Outbound Throughput (Barges) by Product:

Source: Wood Mackenzie

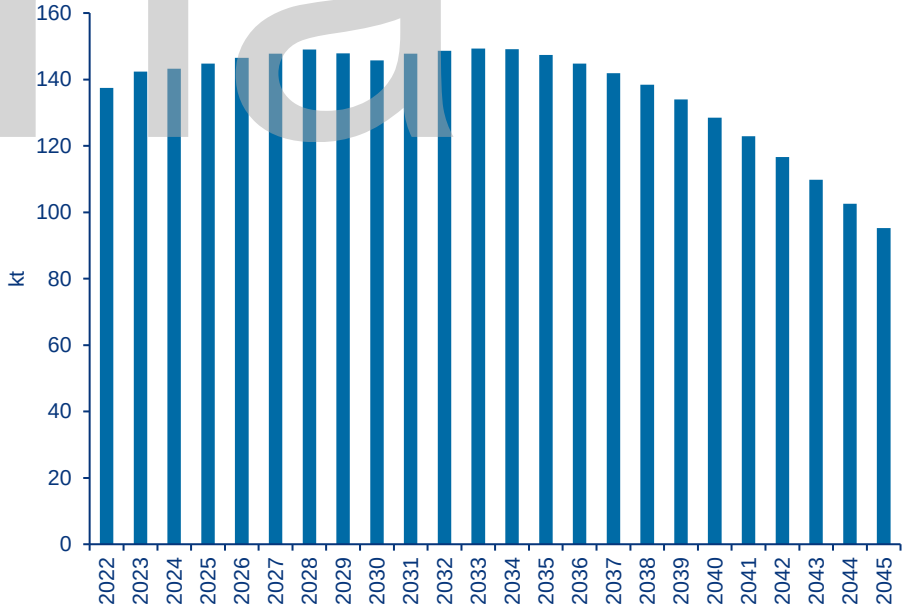
VARO is short in ethanol and currently receives rail imports to land locked gasoline supply positions in Germany and Switzerland; rail connectivity at GPS-A is expected to replace these sources

- We have estimated ethanol requirements based on VARO's gasoline output in inland refineries (Cressier and Bayernoil). Our understanding is that refinery supply remains key driver of ethanol requirement to meet local blending obligations, given that for import flows the company can import blended/finished gasoline.
- Moreover, both Germany and Switzerland are net importers of ethanol and most inland locations are dependent on rail connectivity. Germany receives ethanol primarily from the Netherlands and Switzerland from Poland, Germany (most likely transshipped from the ARA market) and France.
- The new rail connection from GPS-A would be expected to replace other import sources or improve logistics (e.g. without requirements to transship via Germany to Switzerland).

2 Ethanol Throughput *(Phase 3 only):*



2 Ethanol Rail Throughput:

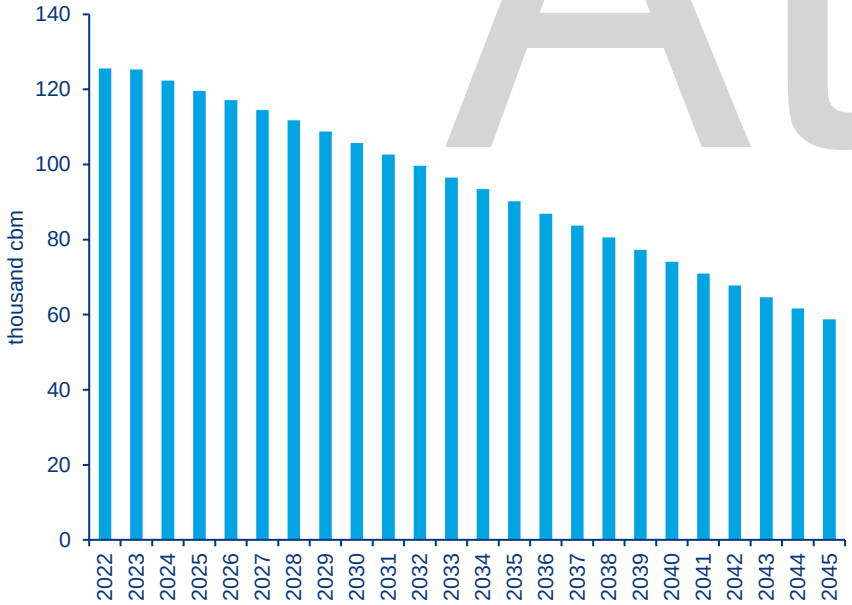


Source: Wood Mackenzie

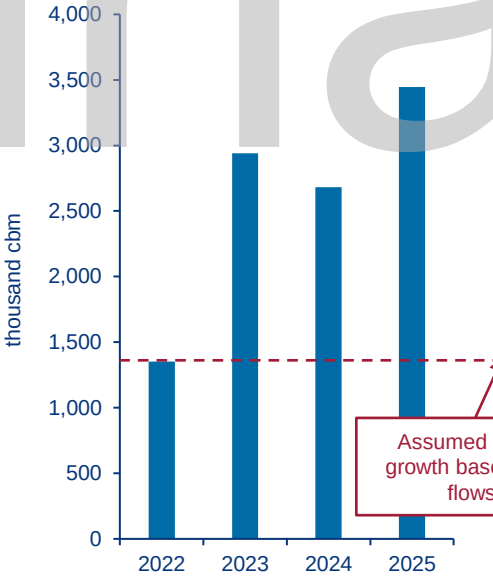
Step change in Germany's gasoline deficit is expected to create further opportunities for VARO Energy, given the company's strong position in imports and control of a significant share of inland infrastructure

- Based on our supply and demand fundamentals, we expect a step change in gasoline imports to Germany in 2022. Given that VARO controls significant capacity along the Rhine and has short positions in the market, we expect the company to be well positioned to increase its level of direct imports and minimize exposure to sourcing from other refiners and competitors in the German market.
- We have estimated the share of annualised 2021 gasoline/component flows to Germany from GPS-A in total net imports to Germany to be ~9.3%. Assuming this share, the increase in 2022 level of net imports would result in ca. 125.6k cbm of gasoline throughput to the German market.
- The level of net imports is forecast to increase out to 2025; however, we have conservatively assumed the lower threshold to reflect speculative nature of these flows as well as remove volatility associated with net import changes.

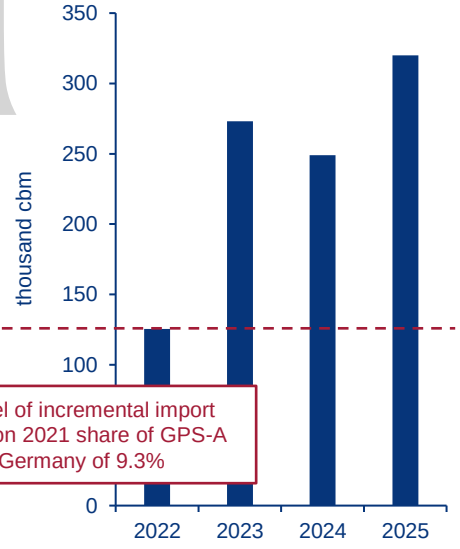
3 Increased Imports to Germany:



Germany Incremental Gasoline Net Imports (vs. 2021):



Potential Increase in Supply from GPS-A to Germany (vs. 2021):

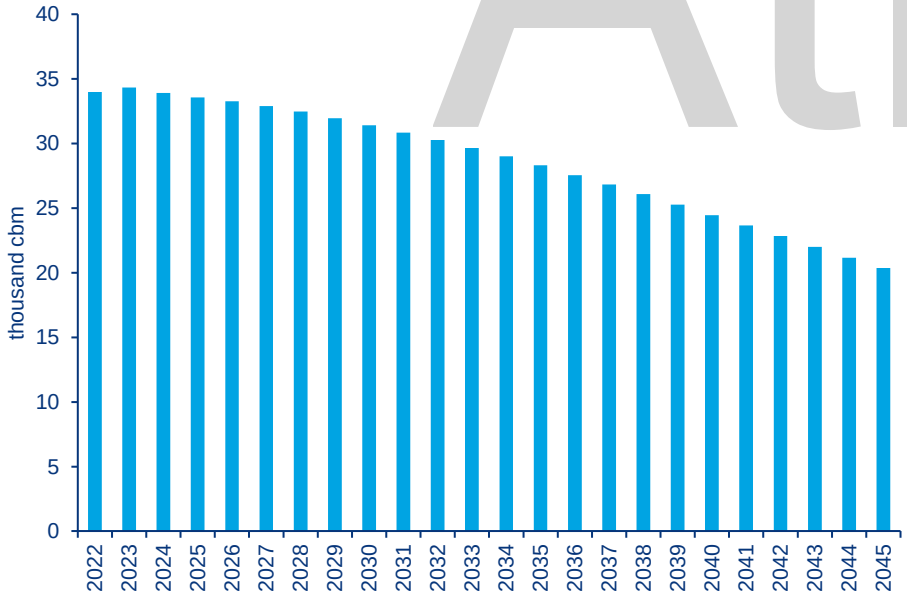


Source: Wood Mackenzie

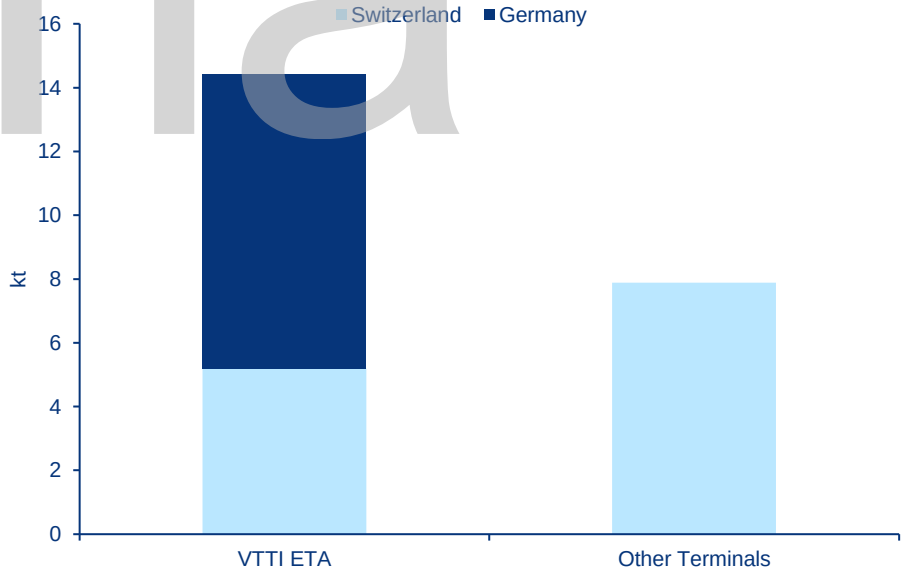
We have also identified additional flows to VARO terminals which may be consolidated at GPS-A given increased ethanol capacity and rail connectivity

- Based on barge tracking data, available to Wood Mackenzie, we have identified additional flows to VARO terminals (or terminals where VARO is known to hold key gasoline positions).
- We understand that this mainly includes barges originating from the VTTI ETA terminal which are typically loaded with distillate supply and occasionally include co-loaded gasoline cargoes to Germany and Switzerland. Additional volumes are also understood to be sourced to VARO's Birsfelden terminal in Switzerland from other competing terminals in the ARA hub.
- With the transfer of VARO's ethanol volumes from a competing terminal to GPS-A, we would expect that there is a synergy to maintain gasoline positions at a single terminal to increase supply flexibility and ethanol blending.

4 Consolidation of VARO Gasoline Supply:



Estimated Gasoline Barges from VTTI and other terminals to VARO terminals (Jan-Nov 2021)

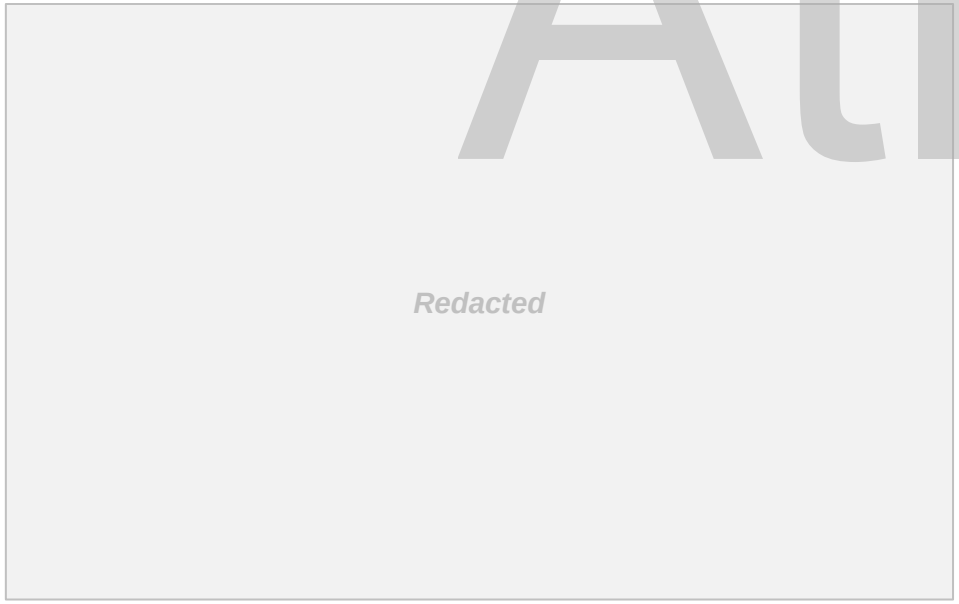


Source: Wood Mackenzie

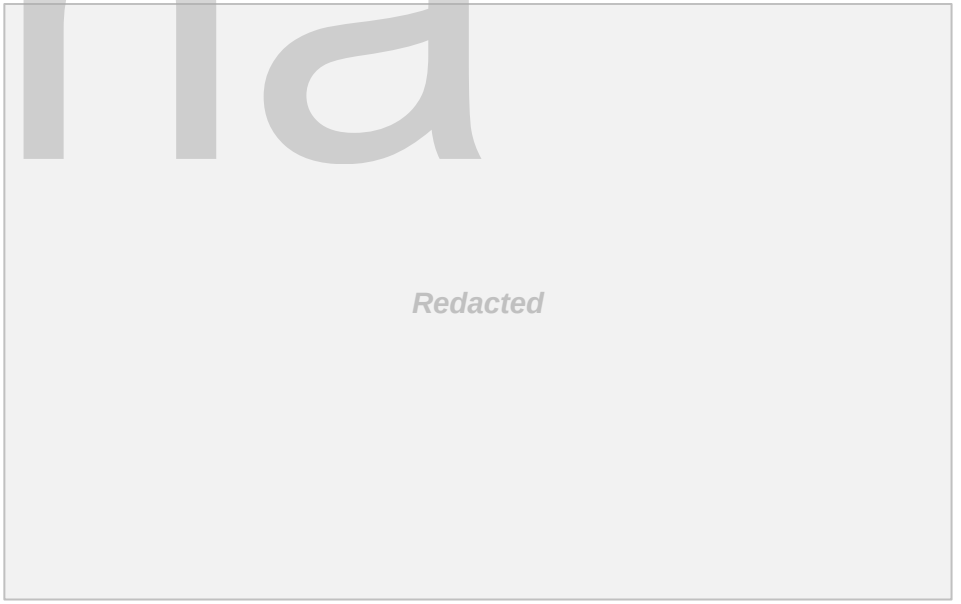
We have modelled surplus component flows from Bayernoil refinery which we would expect to be supplied via rail to GPS-A and sold in the Amsterdam blending market

- Due to the 2018 incident at the Bayernoil refinery and the shutdown of the FCC unit, Bayernoil refinery is understood to be long in gasoline components with limited marketability options. We would expect that rail connectivity with GPS-A would allow to clear gasoline components in the Amsterdam market as well as provide additional blending flexibility for the current gasoline pool.
- We have only assumed flows from the Bayernoil refinery; however, VARO may also source components from other inland refineries in Germany and neighbouring markets (e.g. Czech Republic) given the company's access to regional short markets and infrastructure.
- We assume component trading to change along with the wider gasoline and component balance, reflecting access to regional surplus gasoline streams.

5 Component Trading Throughput:



5 Component Rail Throughput:

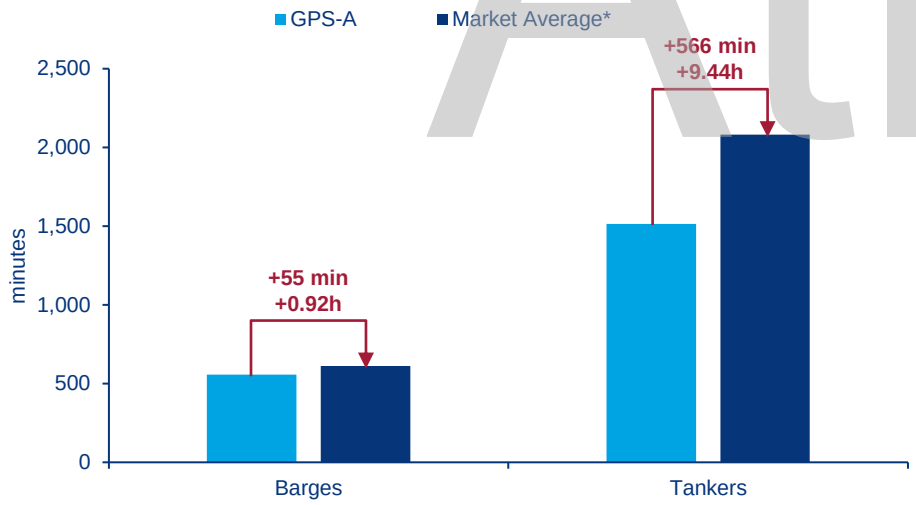


Source: Wood Mackenzie

We expect GPS-A to maintain a premium to average market storage rates given dedicated berths, which reduces demurrage and costs associated with waiting times

- Access to dedicated berths gives customers full flexibility over berth usage, minimizing any waiting times, congestion issues and potential demurrage costs. Not having to compete over berths and other terminal infrastructure allows VARO to capture market opportunities quickly.
- We have estimated average vessel turnaround times for key competing gasoline terminals in Amsterdam (including EVOS West and EVOS East, Zenith, Exolum) to reflect the cost difference associated with higher berth availability. The data reflects full turnaround time, including berthing and pumping operations; however, given that gasoline is typically traded on smaller tankers the data is, in our opinion, comparable across barges and tankers.
- The estimated market premium is dependent on commercial negotiations between customer and storage operator; however, we would assume that customers factor into account additional costs (such as demurrage or higher transport costs) when evaluating storage positions.

Average Vessel Turnaround Times:



**Simple average for EVOS West, Evos East, Zenith Energy, Exolum (i.e. main gasoline blending terminals in Amsterdam); data based on Wood Mackenzie's vessel geotracking information.*

GPS-A Cost Savings for Customer:

	Annual vessel operations (inbound + outbound)	Average time saving	Average cost per hour	average cost saving per capacity/ month
Unit	no. of operations	hours	€/hour	€/cbm
Tankers	311	9.44	379.2	0.33
Barges	998	0.92	395.3	0.11
			Total Premium	**0.44**

- *Average vessel operations based on annualised GPS-A data through to October 2021.*
- *Average cost based on time charter for SR/Handy vessels and average Rhine barge rates.*
- *Total cost divided by GPS capacity and per month to reflect additional value relative to storage rates.*

Source: Wood Mackenzie

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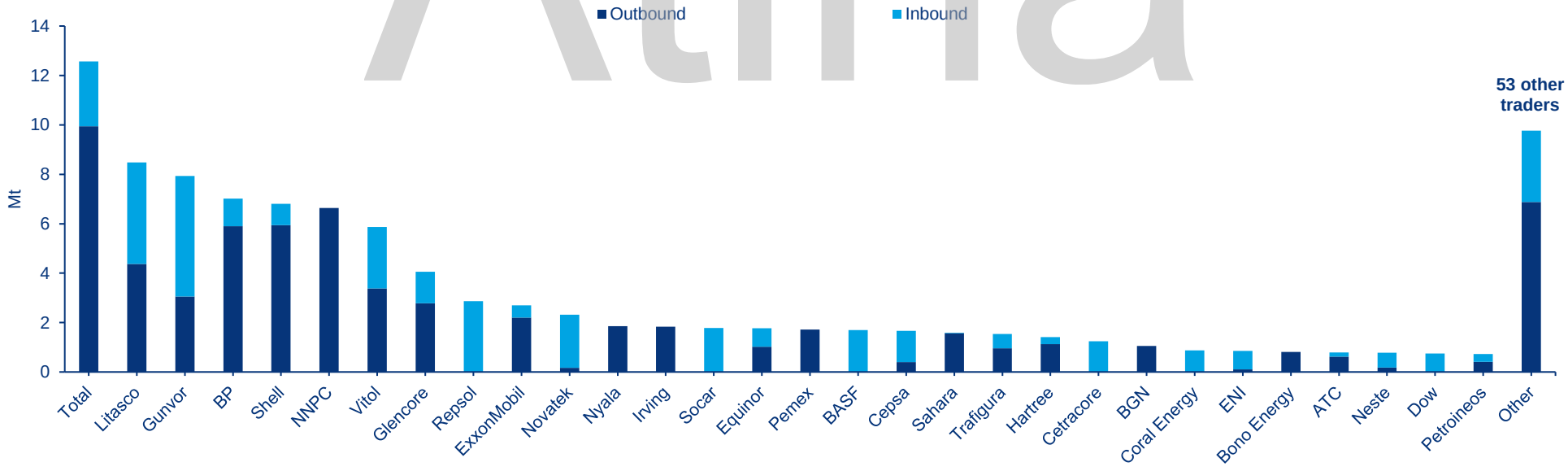
In case of VARO's non-renewal in 2025, we would expect GPS-A's capacity to be used primarily for gasoline trading; however, there is a wide range of potential type of players with different exposure to trading and distribution

- We have not speculated on a potential customer that would replace VARO Energy; however, potential customers could include:
  - Other independent fuel suppliers active in the region, given the terminal's inland transport capability (barges, rail) and ethanol capability (crucial for supplying NW European markets);
  - Gasoline traders active in ARA, e.g. traders operating from Antwerp or outside of ARA which may benefit from moving to Amsterdam to improve blending capability and access to local component trading;
  - European refiners relying on ARA to clear excess supply, this may include UK, Scandinavian and Euro Med refiners that export significant gasoline volumes to ARA;
  - Gasoline importers, e.g. trading arms of NOCs and independent importers from short markets outside of Europe.

ARA Gasoline/Naphtha Traders (by sum of cargo flows 2019-2021*):



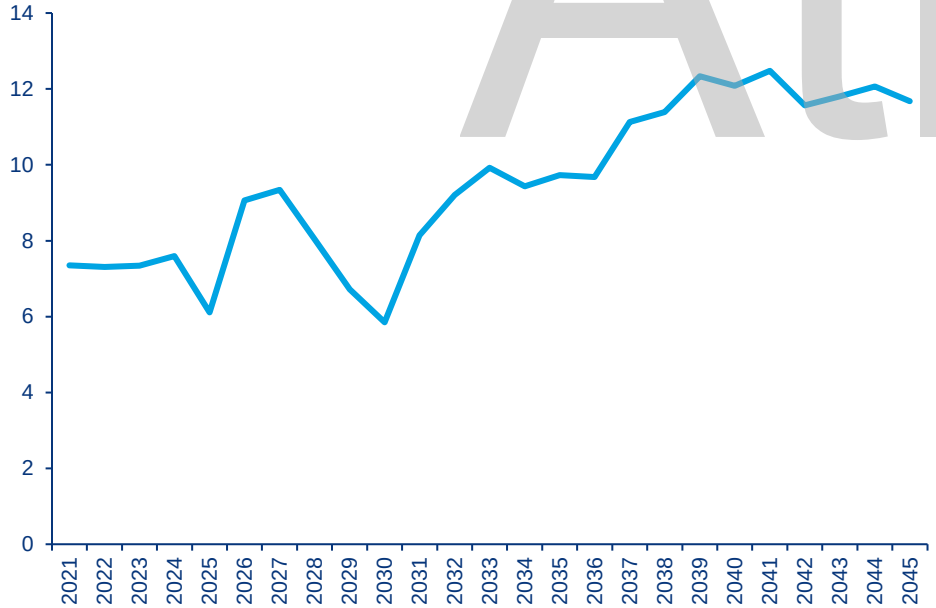
Source: Wood Mackenzie

*Based on chartered vessels, data may not be comprehensive (some vessel fixtures not disclosed) and may not represent actual ARA storage positions.

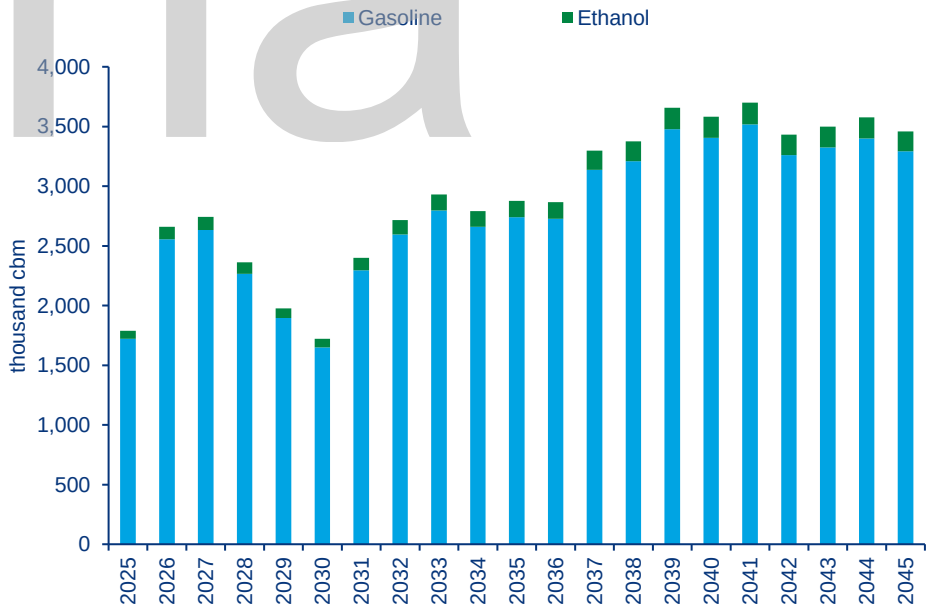
As a sensitivity case, we have developed a market-driven forecast for gasoline throughput at GPS-A, assuming market average tank turns and ethanol blending

- For a sensitivity case which examines a 'what-if' scenario of VARO not renewing its storage contract from 2025, we have developed a market-drive scenario that translates average ARA market conditions to typical throughput levels. Given wide range of potential gasoline customers for the facility, we have not speculated on a potential future customer.
- Based on our ARA gasoline trade forecast and gasoline and component storage capacity in the ARA (taking into account new HES Hartel gasoline capacity) we have developed a forecast for trade-to-capacity which reflects typical market conditions and average tank turns.
- Based on tank turns, we have estimated an implied throughput for GPS-A assuming a market average level of tank turns. Given that GPS-A is one of the few terminals with dedicated ethanol capacity, we have also included ethanol throughput that reflects regional average ethanol blend rate.

Average ARA Gasoline Tank Turns / Trade-to-Capacity Ratio:



Sensitivity Case: Implied GPS-A Throughput (post 2025):

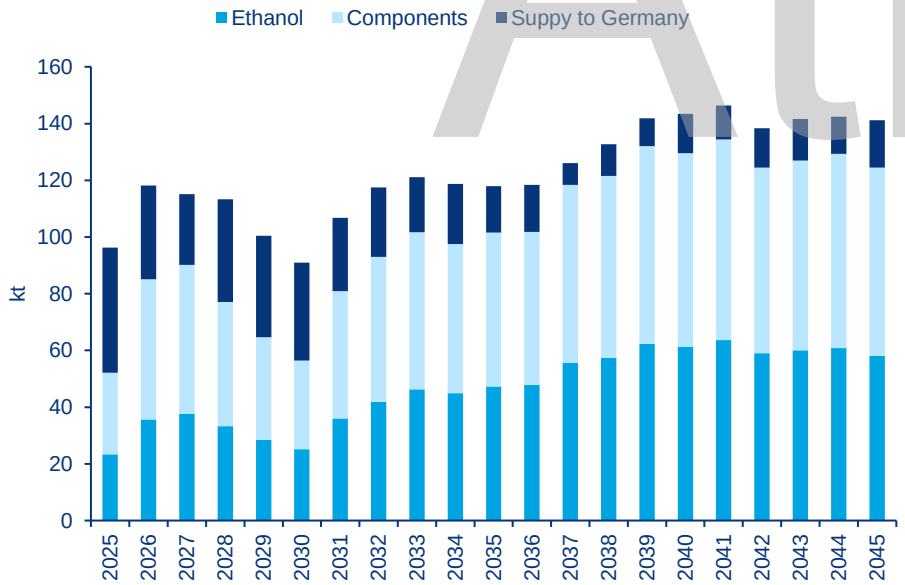


Source: Wood Mackenzie

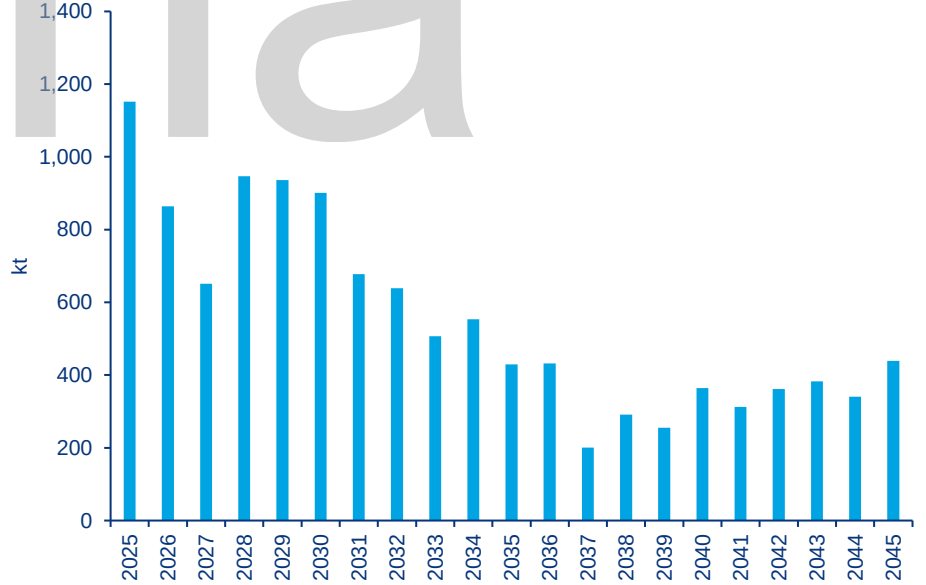
The sensitivity case also includes assumptions for ethanol exports to short inland markets, averaged flows to Germany and inbound component flows from inland refineries

- Given that inland markets (e.g. Germany, Switzerland) with connectivity to ARA are net importers of ethanol we would expect that a share of ethanol throughput is supplied via rail to inland markets (based on a 5-year average of Netherlands exports to inland markets of 34.5%).
- We also assume that the terminal would attract component flows from inland refineries. As per the base case, our forecast is based on Bayernoil excess components; however, depending on the future use of capacity, there are a number of surplus gasoline/component refineries in NW Europe and component trading is expected to increase with overall gasoline surplus in the market.
- We also expect that the terminal, given its rail and barge capabilities, would be able to supply to Germany's short gasoline market. As we do not speculate on potential future uses of the capacity, we have developed assumptions based on average export volumes to Germany handled by ARA terminals and our forecast of gasoline exports from the Netherlands to Germany.

Sensitivity Case: GPS-A Rail Throughput



Netherlands Gasoline Exports to Germany:



Source: Wood Mackenzie

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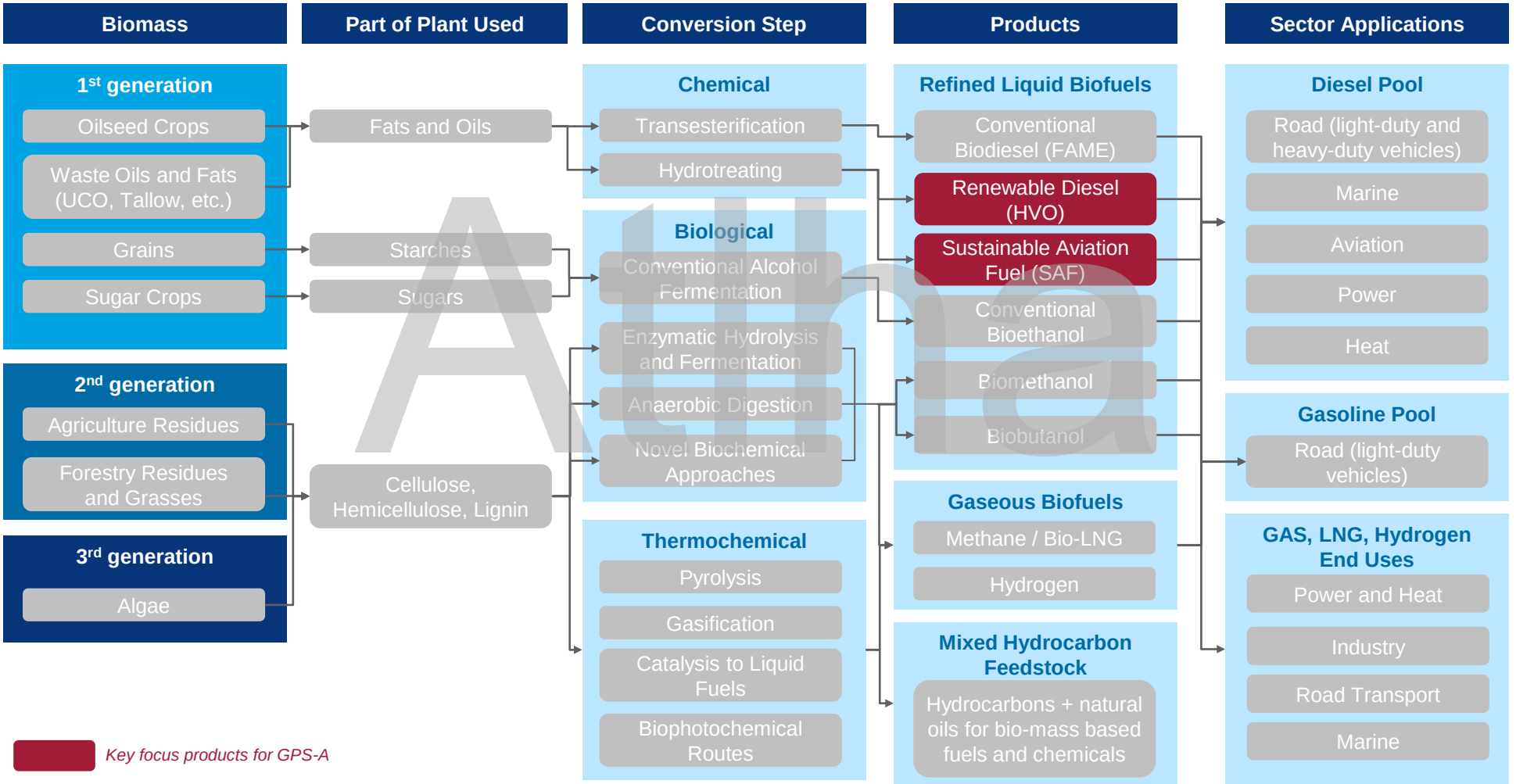
Over the medium and long-term, GPS-A can also capture storage opportunities in alternative and renewable liquid fuels, created by the energy transition and new policy measures



Note: For all other types of biomass-based products, production is not considered to have reached commercial scale (e.g., 4th generation technologies such as solar-to-fuel, advanced algae).
Source: Wood Mackenzie

We expect most of the storage opportunities to be linked to the HVO diesel and SAF markets, given existing technologies, ease of transport and limited conversion requirements

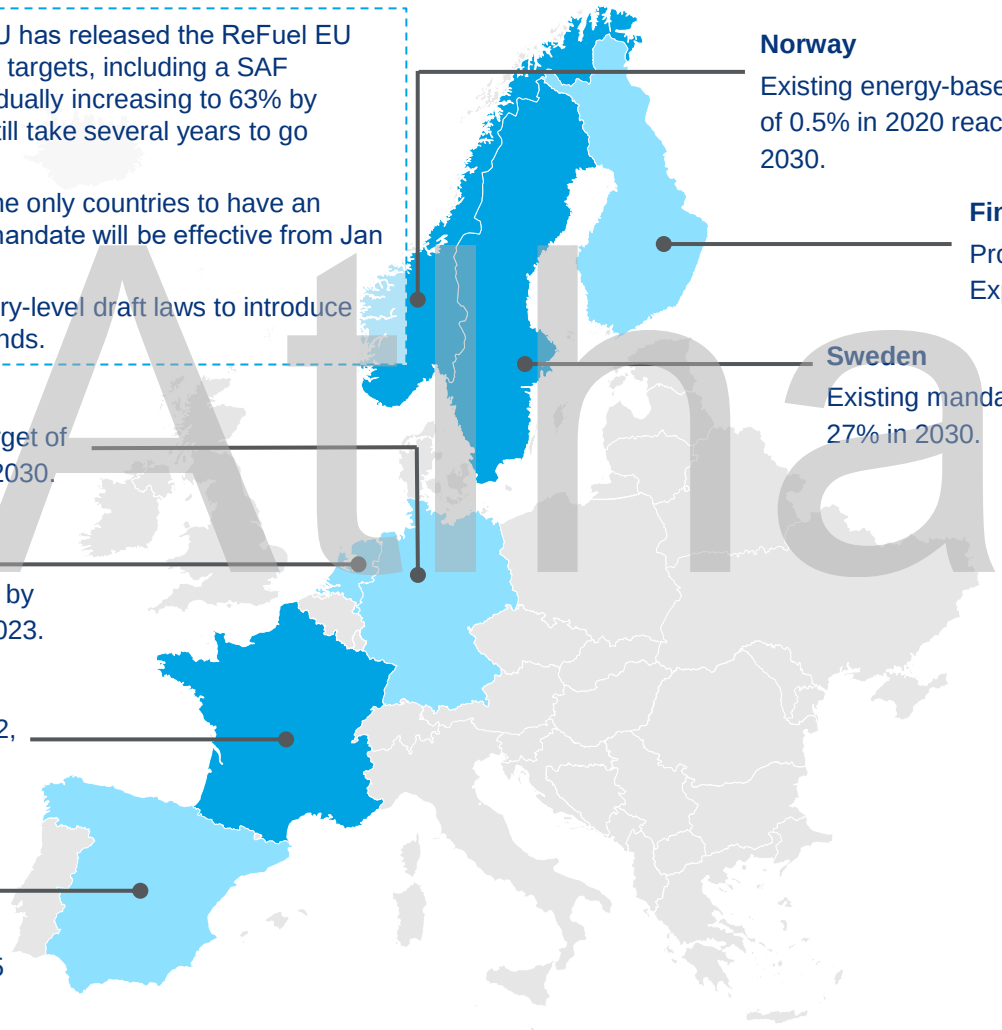
	HYDROTREATED VEGETABLE OIL (HVO)	SUSTAINABLE AVIATION FUELS (SAF)
MARKET DESCRIPTION	• Renewable diesel (HVO) is a drop-in fuel that is chemically similar to conventional diesel/gasoil. • Due to its qualities, HVO has no physical blending limit and is critical in meeting growing biofuel requirements in markets close to reaching blend walls. • **Global HVO consumption is forecast to increase from 6.3Mt in 2020 to 23.5 Mt in 2030**, due to a combination of new blending mandates, incentives for cleaner fuels and blend walls for conventional biodiesel.	• SAF is a mature technology, but the market has been limited given lack of targets and biocredits for the aviation sector. • New SAF policies and emission targets, as well as limited other alternative fuels for the aviation sector are expected to lead to significant growth of this market. • **Global SAF consumption is forecast to grow by 4.3 Mt by 2030** with most of the global growth prospects in Europe.
MAIN MARKET DRIVERS	**Increasing biofuel mandates and incentives for renewable/advanced biofuels**	**Wider implementation of CORSIA[1)] and country specific biojet mandates**
	Blend walls for conventional biodiesel and higher qualities of HVO (e.g. higher cetane number and lower cloud point)	**IATA carbon intensity targets**
	Higher GHG savings compared with conventional biodiesel	**Limited competition from other alternative fuels or technologies** (e.g. electric propulsion is still in prototype phase)
	Feedstock flexibility for majority of HVO production, which meets current feedstock policies and incentives	**Expected recovery in air travel and structural growth in the aviation sector globally**
	Ease of transport and implementation given qualities resembling high quality conventional diesel	**Mature and available HVO/HEFA technology and new other emerging technology options** (e.g. AtJ, PtL, FT)

Note: 1) CORSIA refers to Carbon Offsetting and Reduction Scheme for International Aviation, using carbon credits as a mechanism. The scheme is voluntary for all countries until 2027.
Source: Wood Mackenzie

Europe is paving the way for SAF legislation with a proposed regional SAF policy and several national-level legislations at draft stages

Overview of SAF Mandates in the EU:

- Under the “Fit for 55” package, the EU has released the ReFuel EU proposal that includes ambitious SAF targets, including a SAF blending mandate of 2% in 2025, gradually increasing to 63% by 2050. However, the proposal might still take several years to go through the legislative process.
- Currently, Norway and Sweden are the only countries to have an official SAF mandate, and France’s mandate will be effective from Jan 2022.
- There are also several ongoing country-level draft laws to introduce SAF, incl. Germany and the Netherlands.



Norway

Existing energy-based SAF mandate of 0.5% in 2020 reaching 30% by 2030.

Finland

Proposed mandate for 30% SAF by 2030. Expected enforcement date in 2023.

Sweden

Existing mandate of 0.8% in 2021 rising to 27% in 2030.

Germany

Proposed an e-fuels energy-based target of 0.5% in 2026, 1% in 2028 and 2% in 2030.

Netherlands

Proposed a blending mandate of 14% by 2030. Expected to come in force by 2023.

France

Proposed an SAF target of 1% in 2022, reaching 2% in 2025 and 5% in 2030. Will come into force from Jan 2022.

Spain

Spanish Climate Law expected to include a 2% SAF mandate from 2025 onwards.

LEGEND:

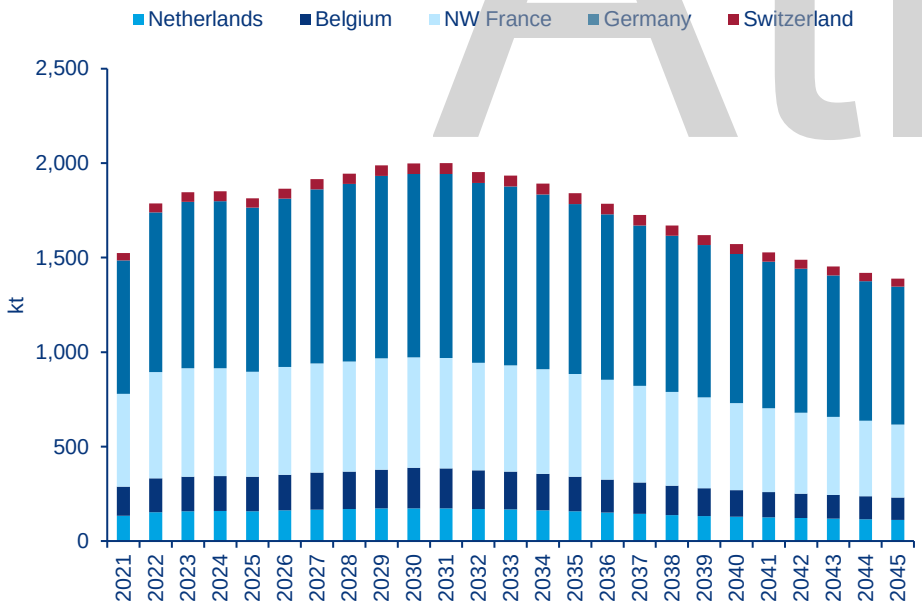
- Official Mandates
- Draft law

Source: Wood Mackenzie analysis

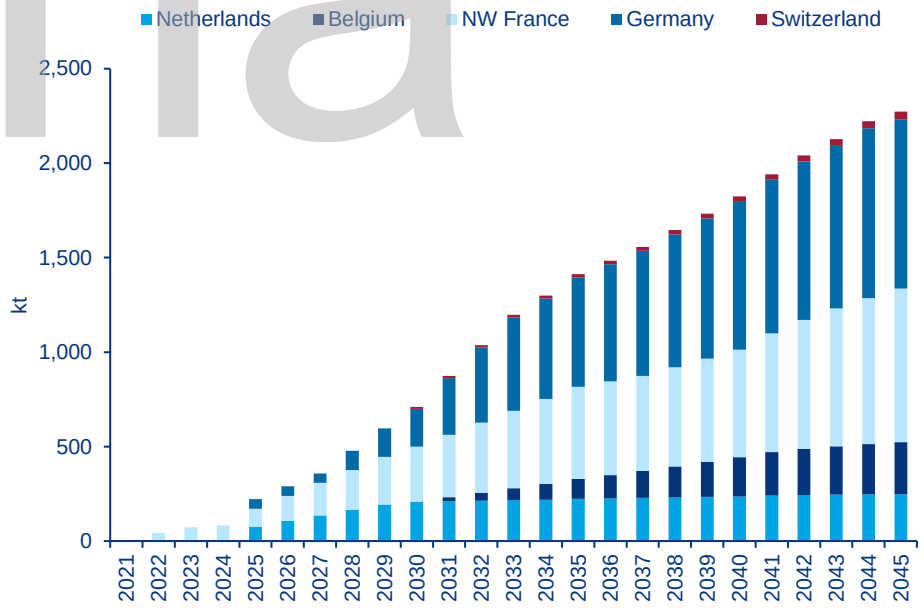
Key markets currently supported by GPS-A are expected to experience significant growth in SAF demand and a more moderate demand growth for HVO diesel

- HVO and SAF provide additional opportunities for GPS-A given demand growth and limited changes to existing infrastructure (our understanding it that HVO and SAF would require separate piping and handling systems, but limited changes to tankage). Moreover, HVO and other biofuels (other than ethanol) have also been previously handled in smaller quantities by the terminal.
- Long-term decline in HVO volumes are driven by lower diesel demand and increasing fuel efficiency. Our forecast for HVO and SAF demand are based on our base-case market outlook. However, an accelerated energy transition would require higher adoption of alternative fuels, including HVO and SAF and would be expected to replace some of the conventional fuels.

HVO Demand *(selected markets):*



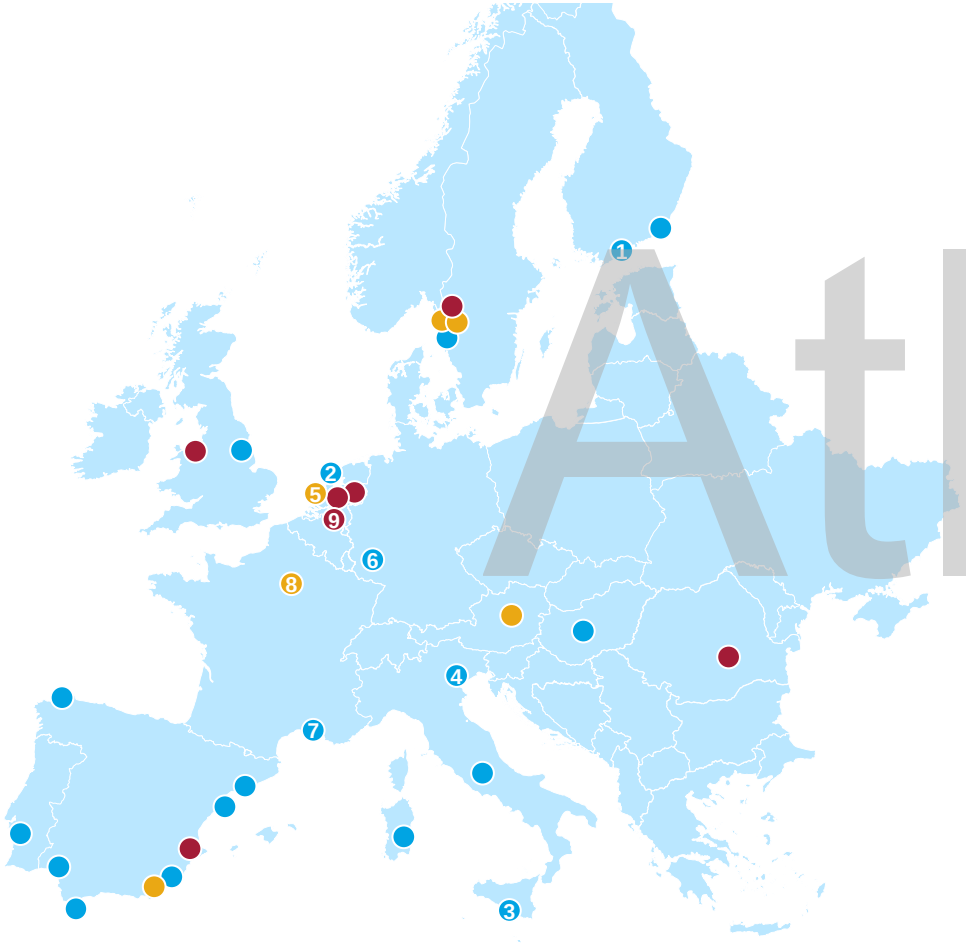
SAF Demand *(selected markets):*



Source: Wood Mackenzie

Majority of existing and new HVO and SAF plants are located in coastal areas, terminals such as GPS-A will be required to handle flows to inland markets

European Union HVO/SAF Producer Map (non-exhaustive):



As of Nov 2021

- Existing facilities
- Firm projects
- Unfirm projects

Note: Map only covering major capacities.

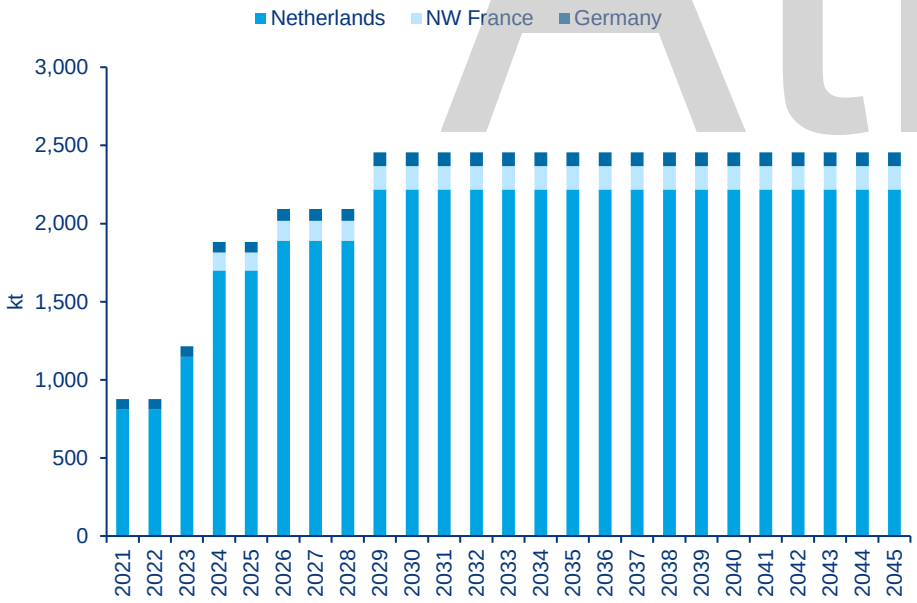
Source: Wood Mackenzie

1. Finland – Porvoo: 600 Kt/a
2. Netherlands – Rotterdam: 1,000 Kt/a
3. Italy – Gela: 750 Kt/a
4. Italy – Venice (Porto Marghera): 360 Kt/a
5. Netherlands – Pernis: 820 Kt/a (Firm)
6. Germany – Rhineland: 100 Kt/a
7. France – La Mede : 500 Kt/a
8. France – Grandpuits: 170 Kt/a (Firm)
9. Belgium – Antwerp : 150 Kt/a (Unfirm)

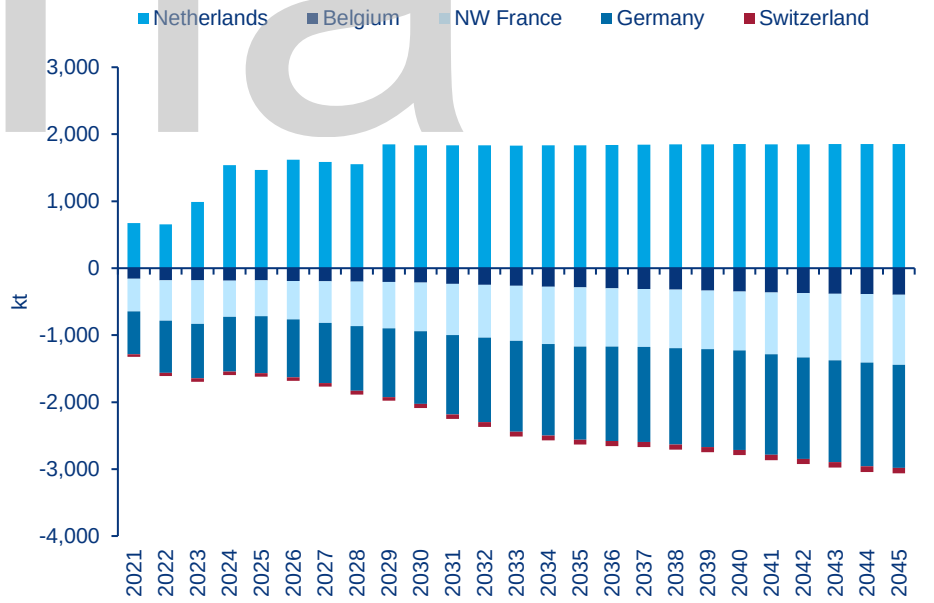
GPS-A is well positioned to capture HVO and SAF flows to inland markets in NW Europe due to barge and rail capabilities and the terminal's focus on distribution flows

- As majority of HVO/SAF production capacities are expected in the Netherlands and in the Med and Scandinavia, terminals in ARA are expected to be handling flows to inland markets (e.g. Germany and Switzerland via Rhine or rail, Belgium via barges, and NW France via coastal tankers, rail and barges).
- HVO and SAF is traded in much smaller cargoes, especially given use as a drop-in fuel. We expect the flows to be handled primarily by terminals with inland distribution capability (e.g. barge and/or rail). GPS-A is well positioned to capture these flows, given the terminals barge and rail capability; however, the terminal does not have connectivity with jet fuel pipelines which may be used for transporting SAF blended jet fuel. If existing pipelines system become certified for carrying SAF, GPS-A may still play a role in regional distribution to airports not connected to the CEPS system or via barges along the Rhine and tankers to coastal locations in NW France.

HVO/SAF Supply *(firm and likely projects only):*



HVO/SAF Balance *(selected markets):*

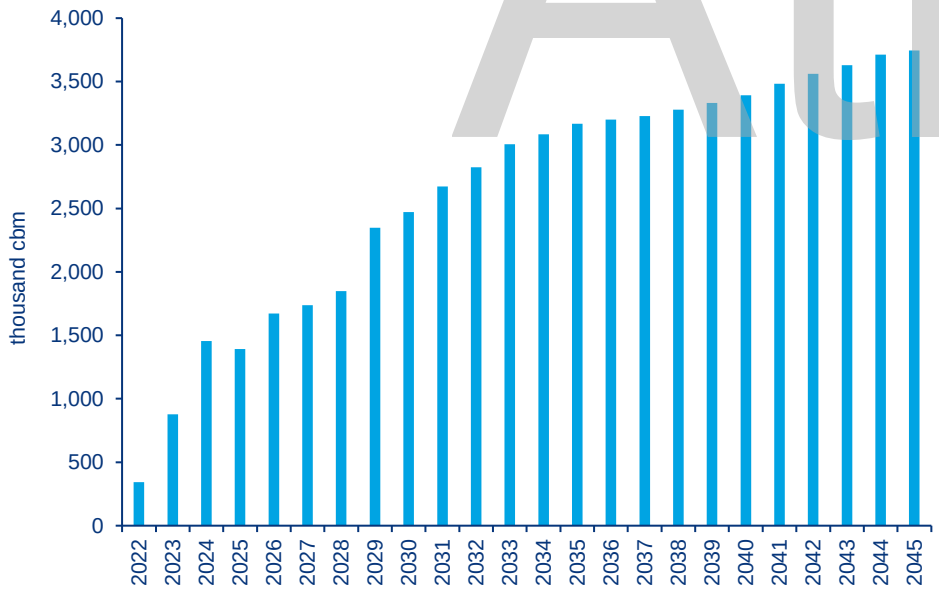


Source: Wood Mackenzie

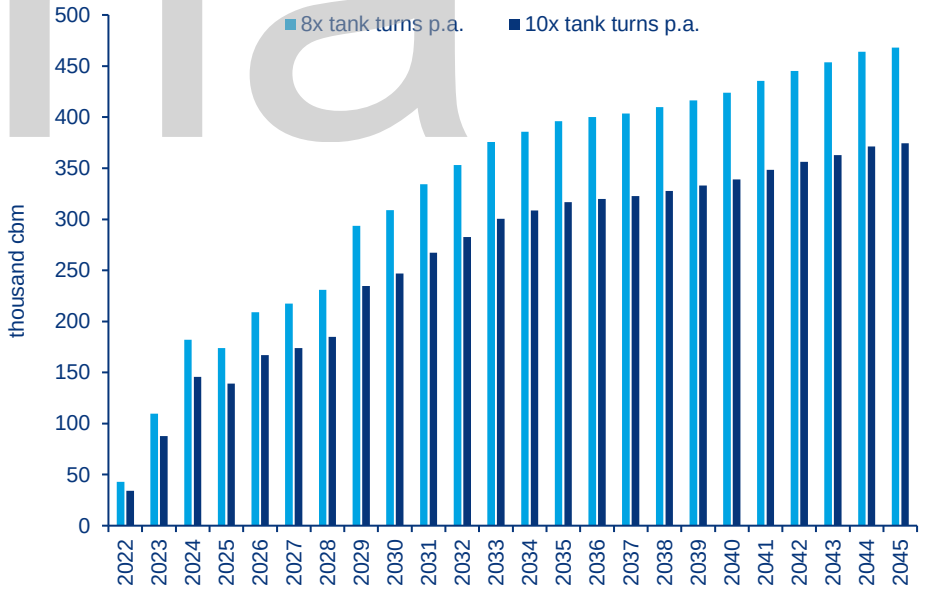
We expect that the ARA market will require between ~250k and 310k cbm of storage capacity to handle incremental HVO and SAF trade flows by 2030

- Depending on average tank turn assumptions, there is a incremental requirement of 250-310 thousand cbm of HVO/SAF storage capacity requirement by 2030 and 375-470 thousand cbm by 2045.
- As the storage industry typically plans capacity expansions in relatively shorter timeframes (~2-3 years), future availability of HVO/SAF capacity is speculative. Based on public domain information, we understand that Vesta Antwerp has announced plans to develop 104k cbm capacity for bio jet fuel (most likely for SAF blended jet fuel), although we are not aware of any progress for the project.
- As this is a relatively new market, storage rates are less transparent. We would expect that HVO and SAF would attract rates similar to our estimated range for biodiesel (€4.5-6.0/cbm); although blended jet fuel (with SAF component) would most likely attract rates similar to Class I/Class II rates. Additionally, as capacity may be contracted on a longer-time basis and require additional CAPEX for product separation, we would expect rates to be on the higher end of the range.

HVO & SAF Incremental Gross Trade *(vs. 2021):*



HVO & SAF Incremental Storage Demand *(vs. 2021):*



Source: Wood Mackenzie

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PRIVATE AND CONFIDENTIAL - RELEASE LETTER TO PROSPECTIVE DISCLOSEE

[Date] 10 February

[Entity name & address] Atlla Holding BV
Schiphol Boulevard
WTC - building
Schiphol, NL.

Dear Sir/Madam,

Release Letter

In this letter "we" and "us" shall be construed so as to include, but not be limited to our partners, employees and agents.

1. Introduction

1.1 We refer to our report dated 7 February 2022 titled Project Tower: Commercial Vendor Due Diligence (the "**Report**") which was prepared on the basis of the instructions agreed with GPS Group (the "**Company**") and as set out in the engagement letter dated 19 November 2021.

1.2 We understand that you wish to be provided with a copy of the Report. The Company have authorised us to provide a copy of the Report to you.

1.3 This letter sets out the terms upon which we will agree to release the report to you and explains certain matters in relation to the Report.

2. Terms

2.1 You accept that our providing you with a copy of the Report is on the understanding that, to the fullest extent permitted by law, we neither owe nor accept any duty or responsibility or liability to you or any other party, whether in contract, tort (including negligence) or otherwise and shall not be liable in respect of any loss, damage or expense which is caused by your or any other party's reliance upon the Report or any part of it.

2.2 Subject to paragraph 2.3 below, you agree not to disclose all or any part of the Report to any other person, by any means, without our prior written consent except to the extent that disclosure is required by law or regulation.

2.3 You may make copies of the Report available to your directors, officers and employees, provided that in each case when you make the Report available you take reasonable steps to ensure that the recipient understands that:

2.3.1 the Report is confidential and may not be disclosed to any other parties without our prior written consent except to the extent that disclosure is required by law or regulation;

2.3.2 they may use the Report only for the purposes of assisting you in your consideration; and

2.3.3 to the fullest extent permitted by law, we accept no responsibility or liability to them, whether in contract, tort (including negligence) or otherwise in respect of any use they may make of the Report and shall not be liable to them in respect of any loss, damage or expense which is caused by their reliance upon the Report.

2.4 We have not undertaken any work or made any enquiries of the Company's management in relation to the matters dealt with in the Report and the Report has not been updated in each case since its issue date. We have not considered what amendments to the Report (if any) might be appropriate in the light of your review of it.

3. General

If any term or provision of this letter is or becomes invalid, illegal or unenforceable, the remainder shall survive unaffected.

4. Third party rights

4.1 A person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any of its terms.

4.2 The consent of any person who is not a party to this letter is not required to rescind or vary this letter at any time.

5. Counterparts

This letter may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this letter.

6. Entire agreement

This letter sets out the entire understanding between us in relation to the conditions upon which the Report is provided to you.

7. Governing law and jurisdiction

7.1 This letter (including the agreement constituted by your acknowledgement of its terms) and any non-contractual claims arising from it are governed by English law.

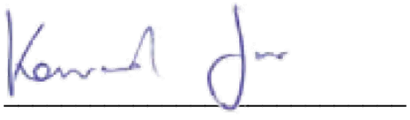
7.2 The parties submit to the exclusive jurisdiction of the English courts.

8. Acknowledgement and acceptance

If you wish to receive a copy of the Report on the terms set out in this letter, please record your agreement to the terms of this letter by signing the enclosed copy of this letter and returning it to us, marked for the attention of Konrad Jar (konrad.jar@woodmac.com).

Yours faithfully,

For and on behalf of Wood Mackenzie Asia Pacific Pte Ltd:



Konrad Jar

VP, Downstream Consulting

10 Feb 2022

We confirm that we wish to receive a copy of the Report referred to in the letter dated [Date] from Wood Mackenzie on the basis of the terms set out in that letter.

Signed: _____

Name and position: MARK VAN DER PLAS

On behalf of: ATLHA HOLDING

Date: 10 Feb 2022.