2009 Waterways Symposium
Petroleum Industry Overview

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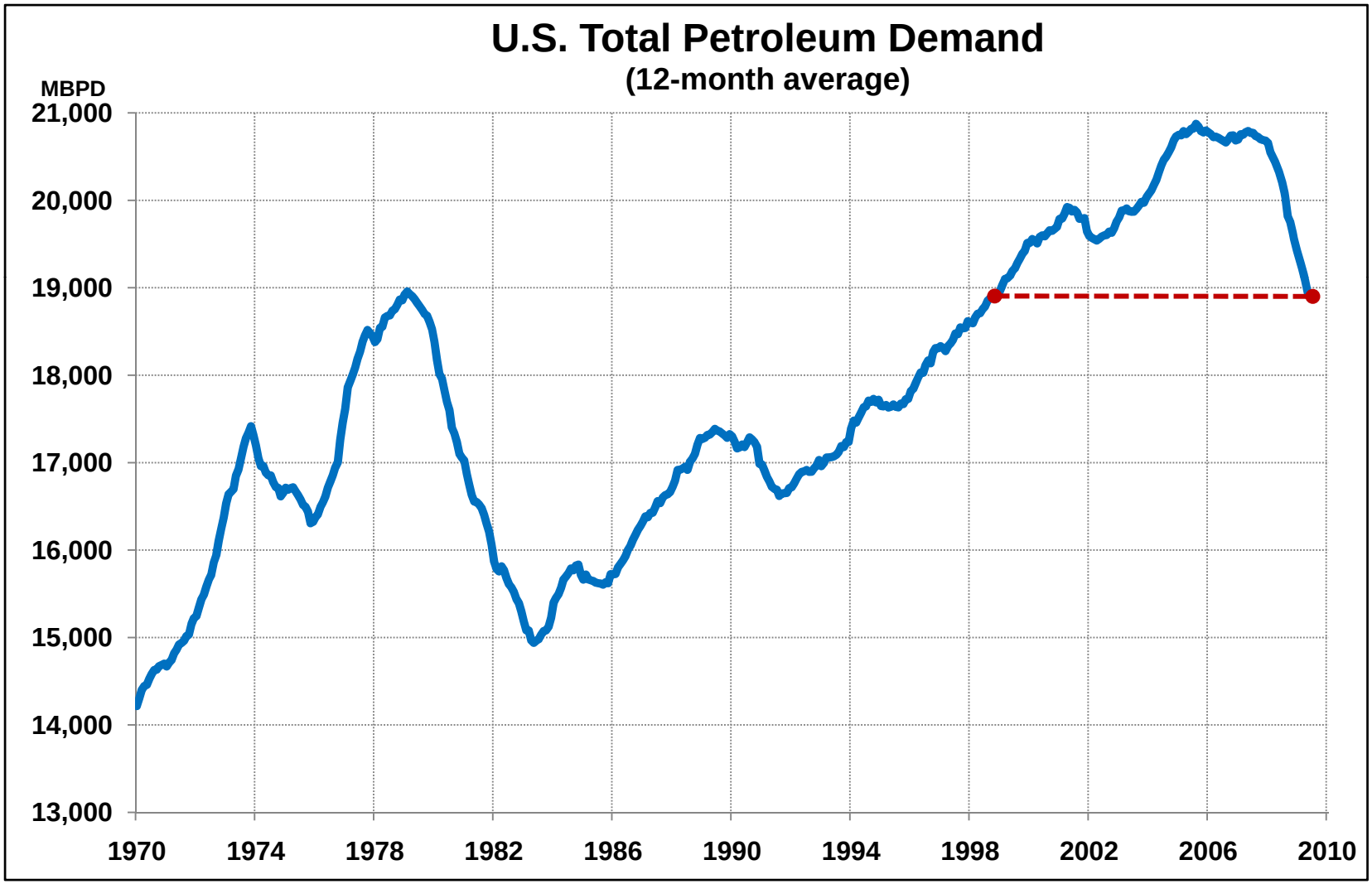
Valero Energy Corporation

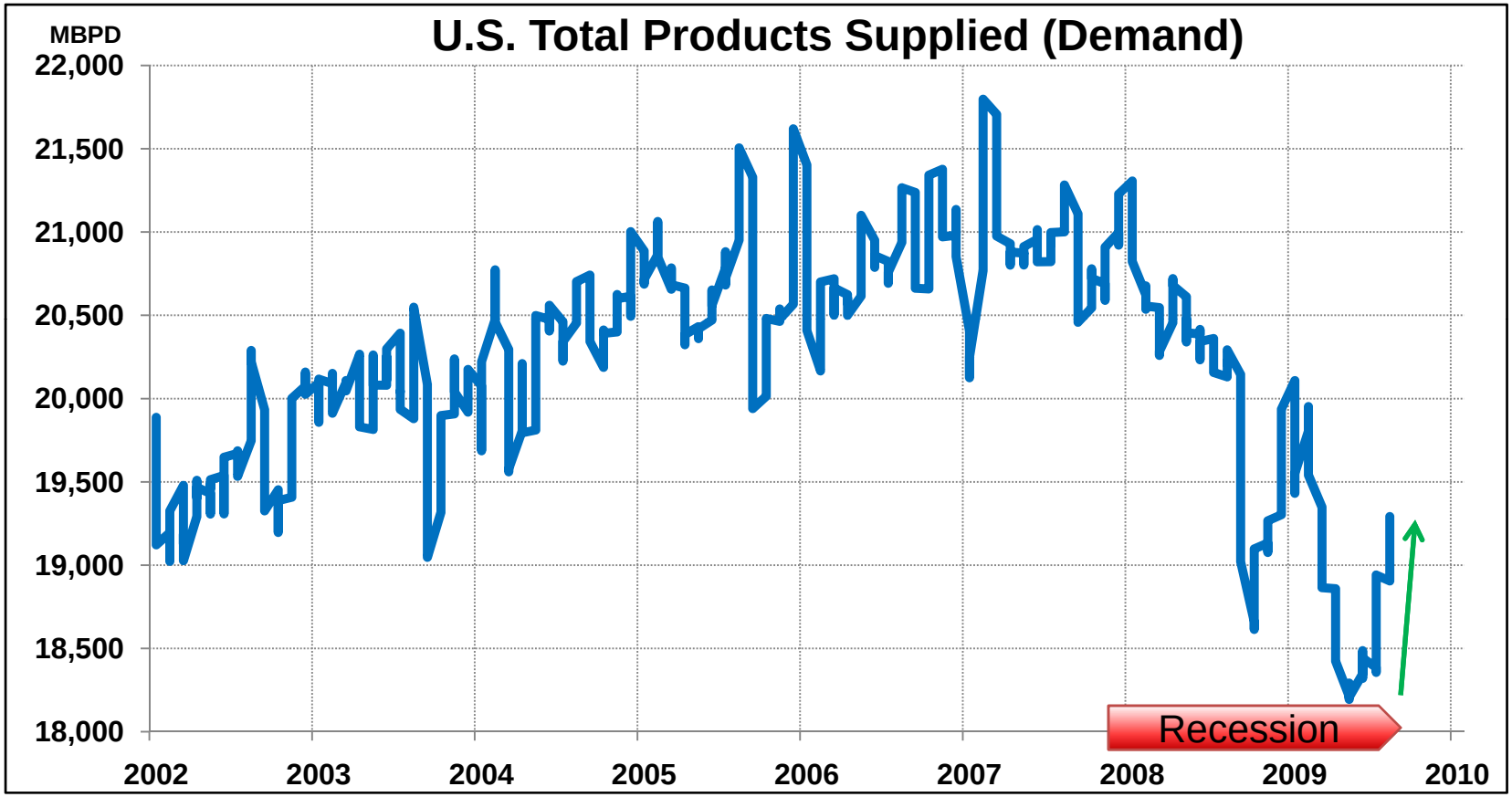
October 13, 2009

Economic Recession Impacting U.S. Petroleum Demand



Source: DOE PSM through June 2009

The Great Recession Hurt Demand, But Recent Uptick Is Positive

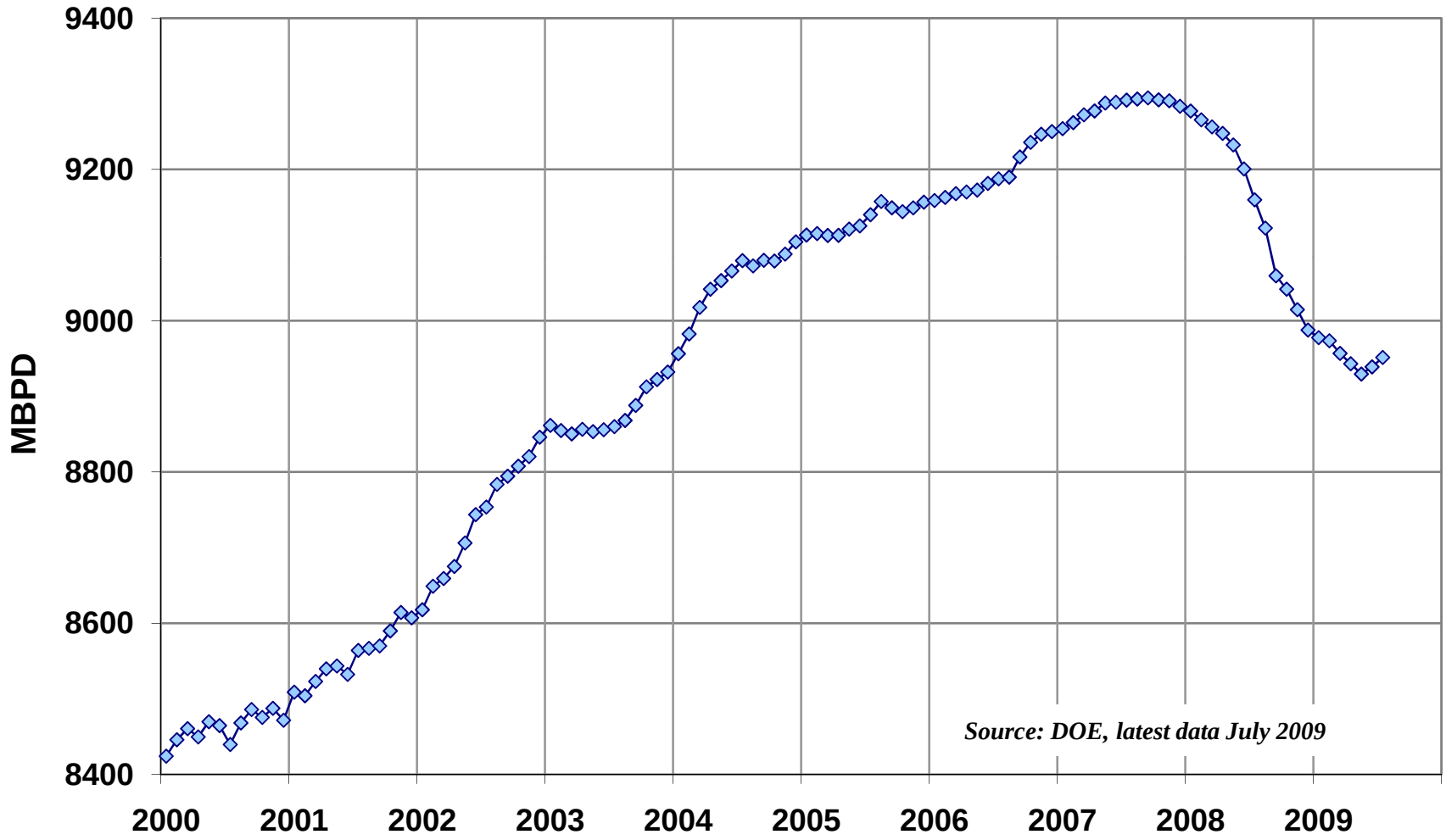


Source: DOE Weekly Petroleum Status Report through August 2009, 4-week average

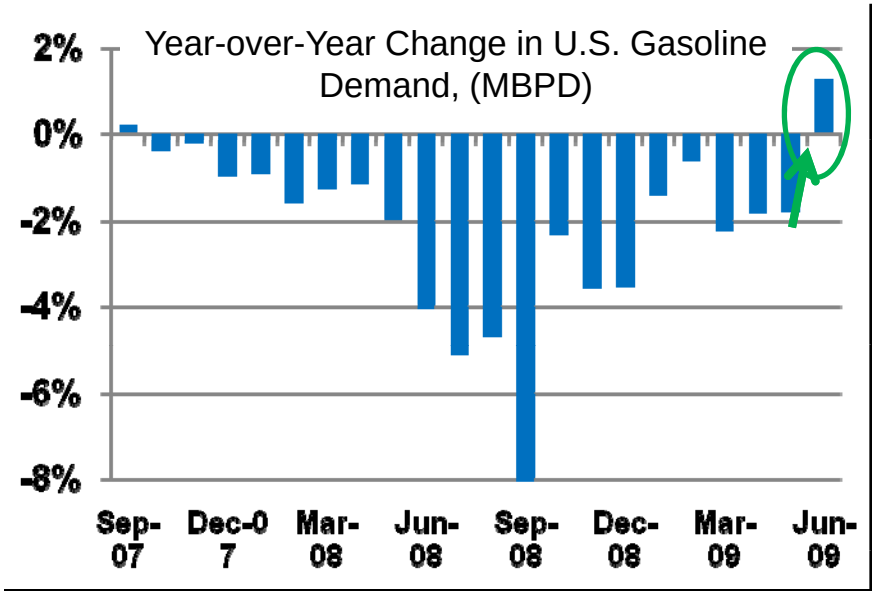
- U.S. gasoline demand down 172 mbpd (1.9%) 2009 YTD vs. same period 2008, and 2008 was down 204 mbpd (2.2%) vs. 2007
- U.S. distillate demand down 573 mbpd (13.6%) 2009 YTD vs. same period 2008, and 2008 was down 153 mbpd (3.6%) vs. 2007

U.S. Gasoline Demand

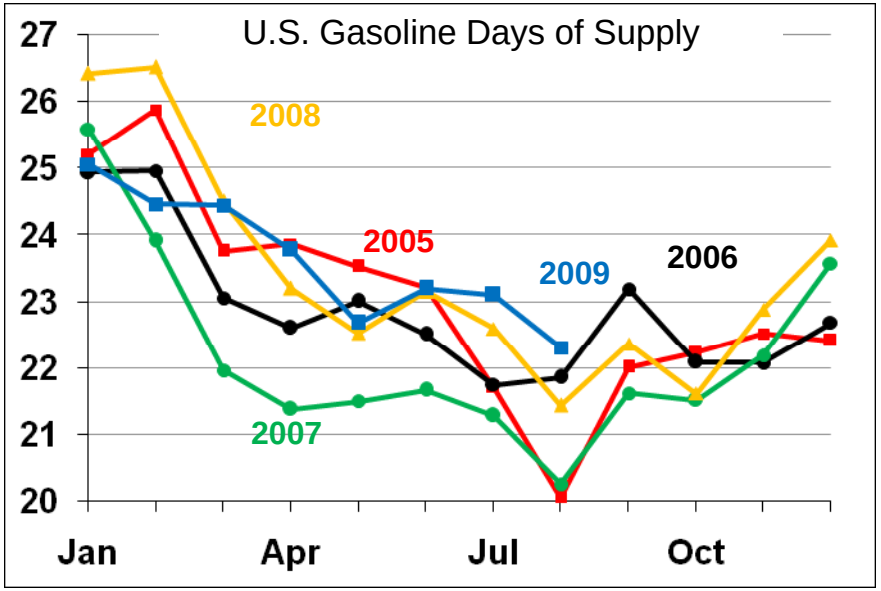
(12-month moving average)



U.S. Gasoline Fundamentals Show Signs of Improvement



Source: DOE Petroleum Supply Monthly



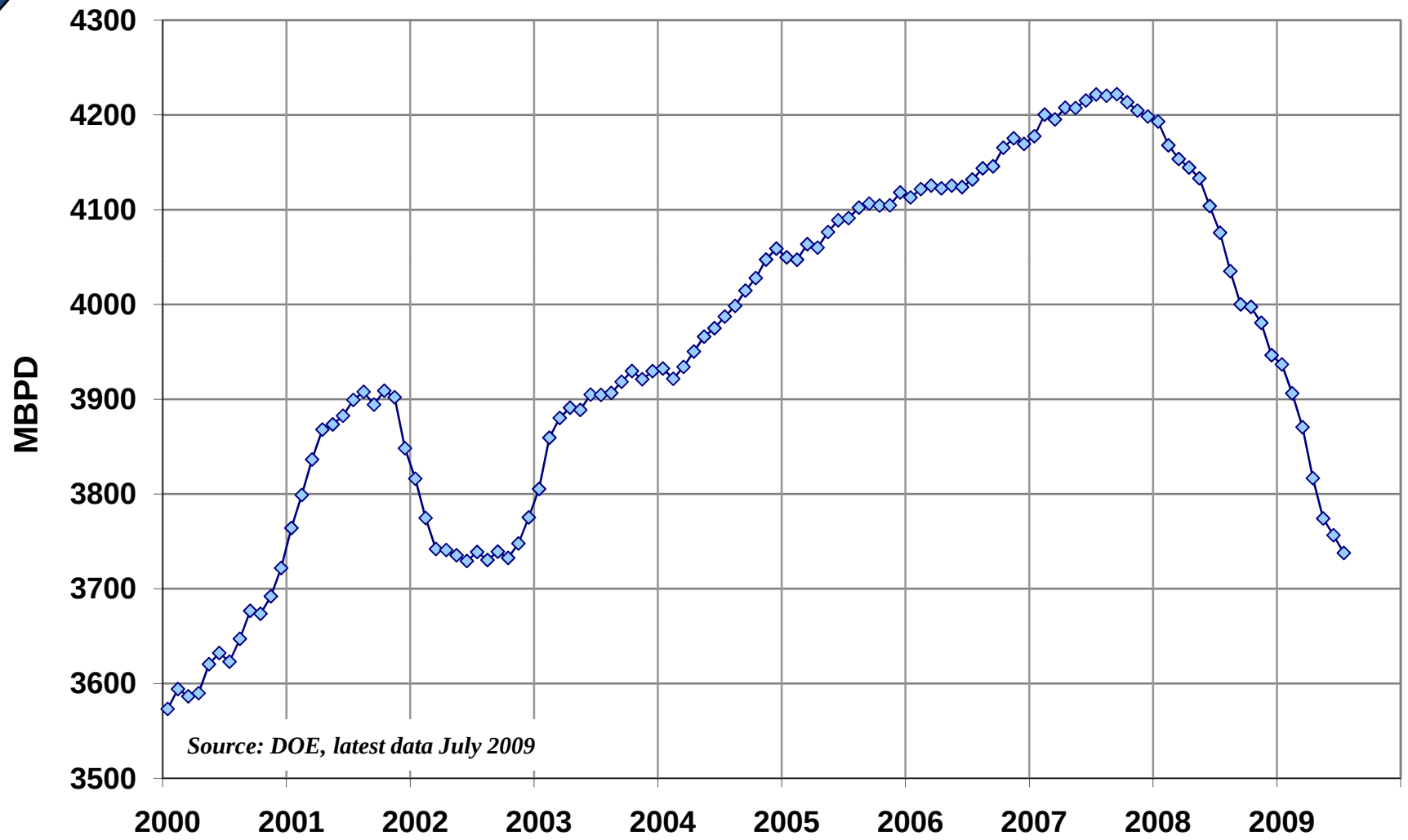
Source: DOE PSM through June 2009; DOE WPSR for July through August 2009

- **First year-over-year demand growth since Sept. 2007**
  - June 2009 grew 1.3% over June 2008
- **Relatively low pump prices and improving consumer confidence helping demand**
  - Average year-to-date 2009 gasoline prices at the pump 37% cheaper than 2008
  - Consumer Confidence Index increased from 47.14 in July to 54.1 in August

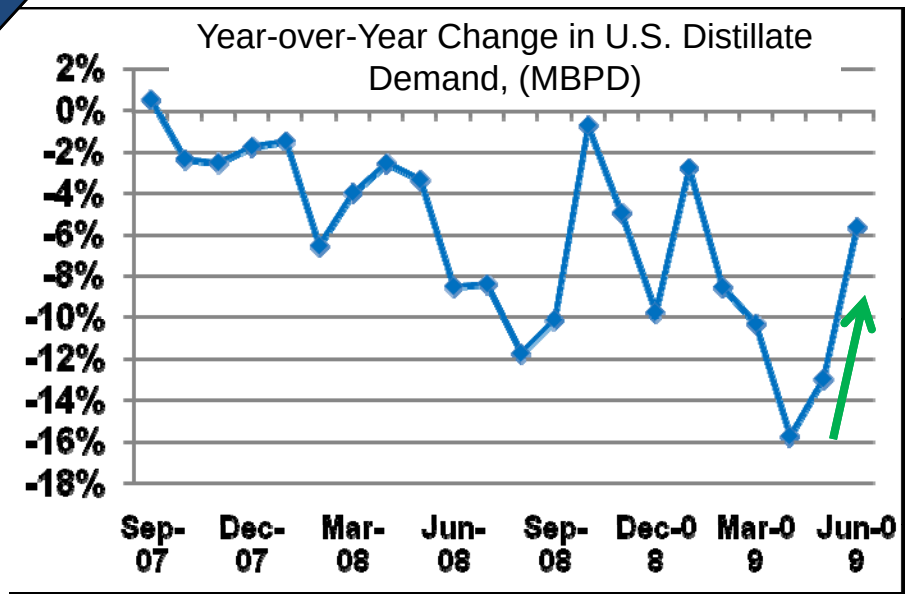
- **U.S. gasoline days of supply slightly above the past four years**
  - Refiners not overproducing
  - U.S. imports down 4% YTD as foreign producers reduce production or find better markets elsewhere
- **September switch to winter-grade gasoline adds supplies to the gasoline pool**
  - Refiners must continue balancing supply with demand

U.S. Diesel Demand

(12-month moving average)

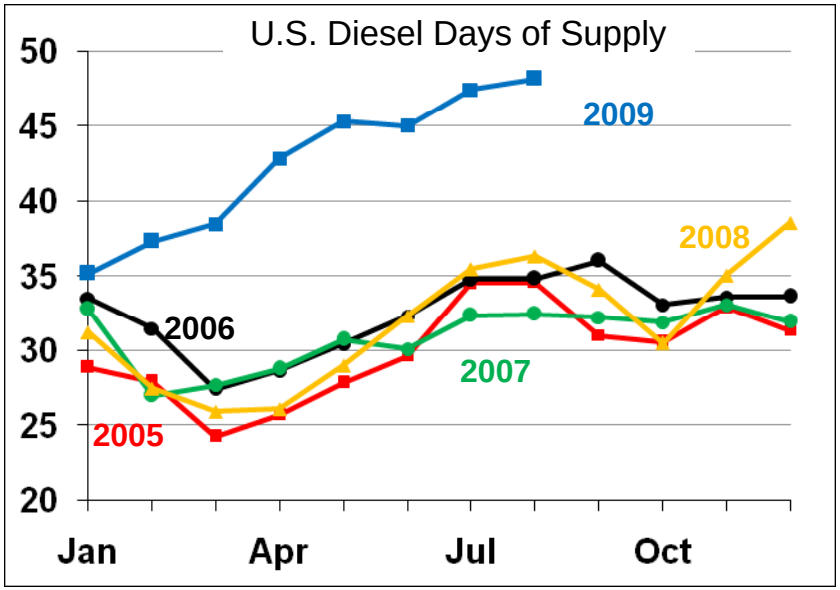


Expect Distillate Demand to Increase with Economic Growth



Source: DOE Petroleum Supply Monthly

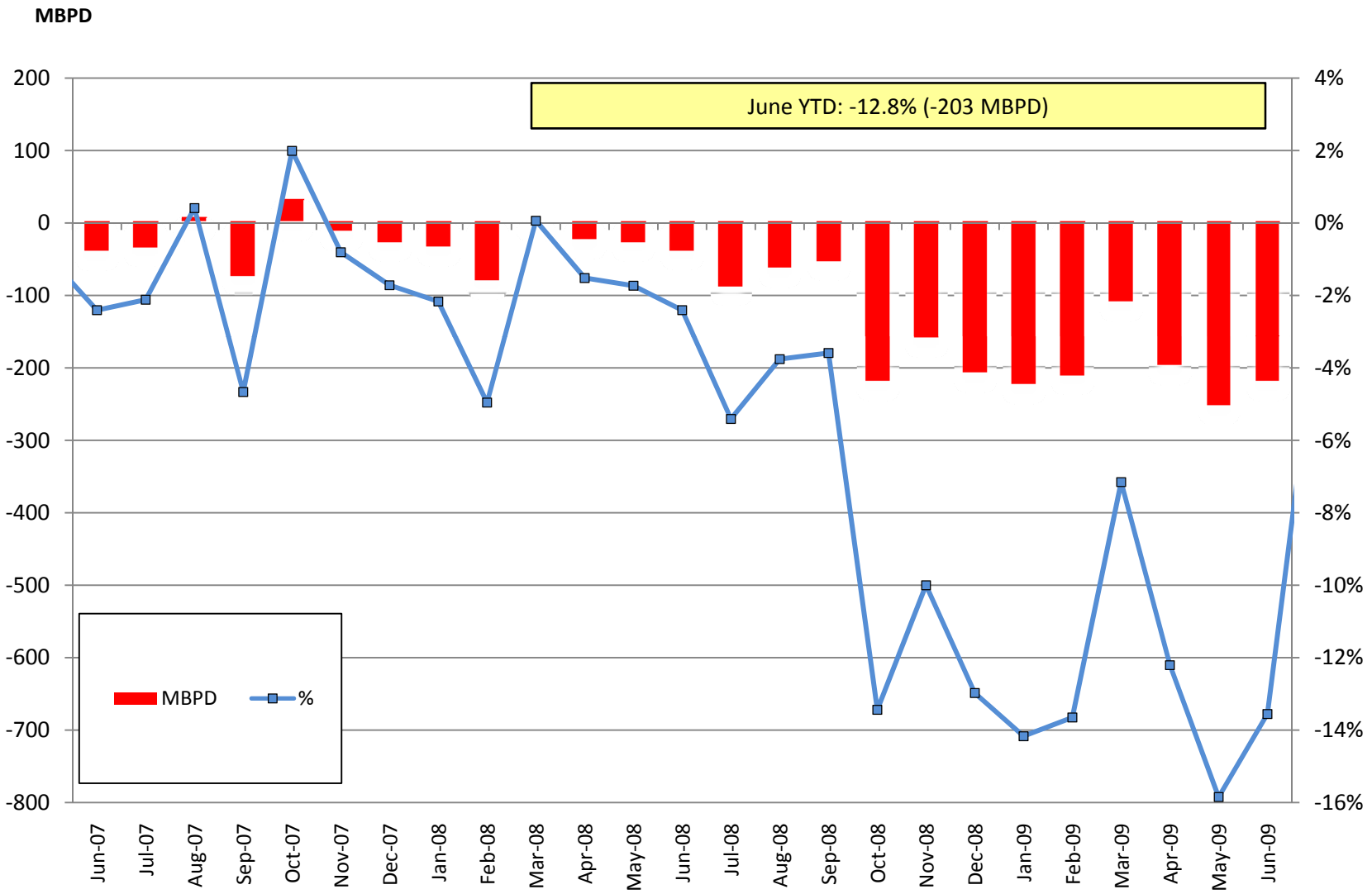
- **Improving trend in year-over-year demand growth**
  - Monthly year-over-year demand: June down 6%, better than April down 16%
- **U.S. inventories and days of supply have grown to very high levels**
- **Weak demand and contango market drove-up global inventories**



Source: DOE PSM through June 2009; DOE WPSR for June through August 2009

- **Economic growth, approaching winter, and recent flattening of contango should reduce inventories**
- **Longer-term, expect global demand growth**
  - Economic growth drives diesel demand
  - Growing faster than gasoline worldwide
  - Supply options limited due to fewer substitutes such as ethanol for gasoline

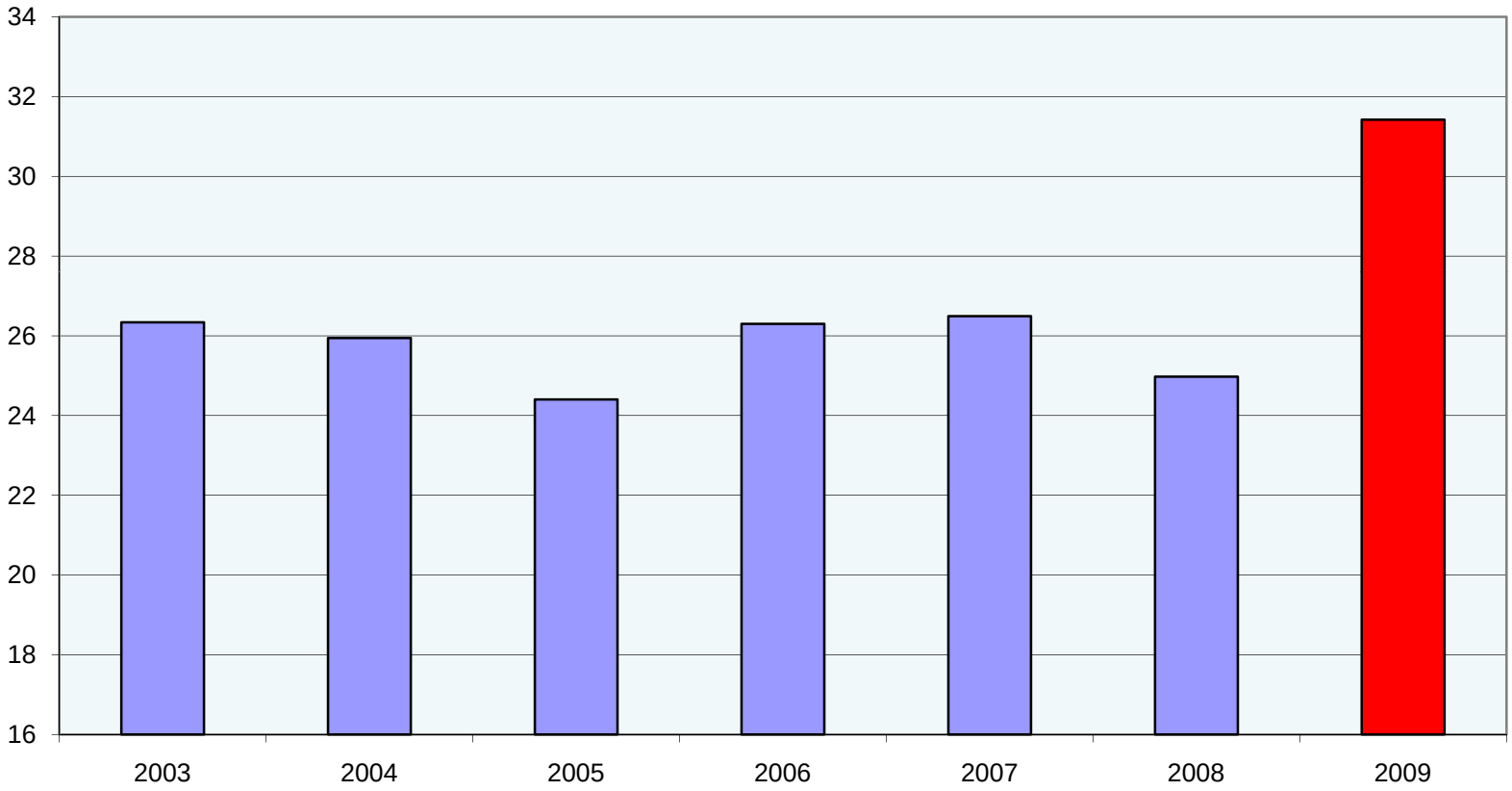
U.S. Jet Demand Growth



Source: EIA/DOE Petroleum Supply Monthly

U.S. Jet Days of Supply

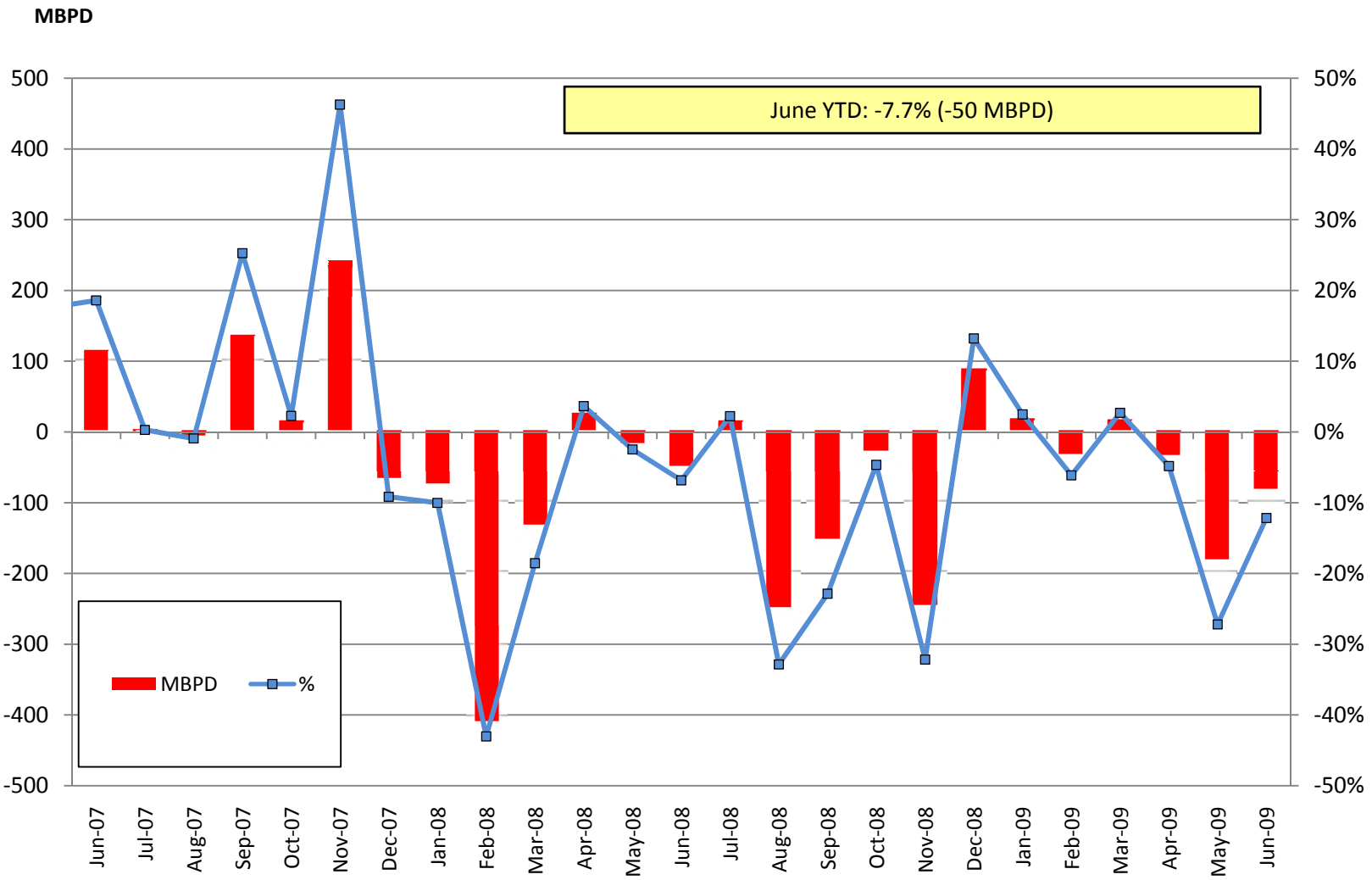
(Current weekly data vs. same week in prior years)



Current Inventory / Trailing 4 Week Average Product Supplied

Source: EIA/DOE Petroleum Supply Monthly

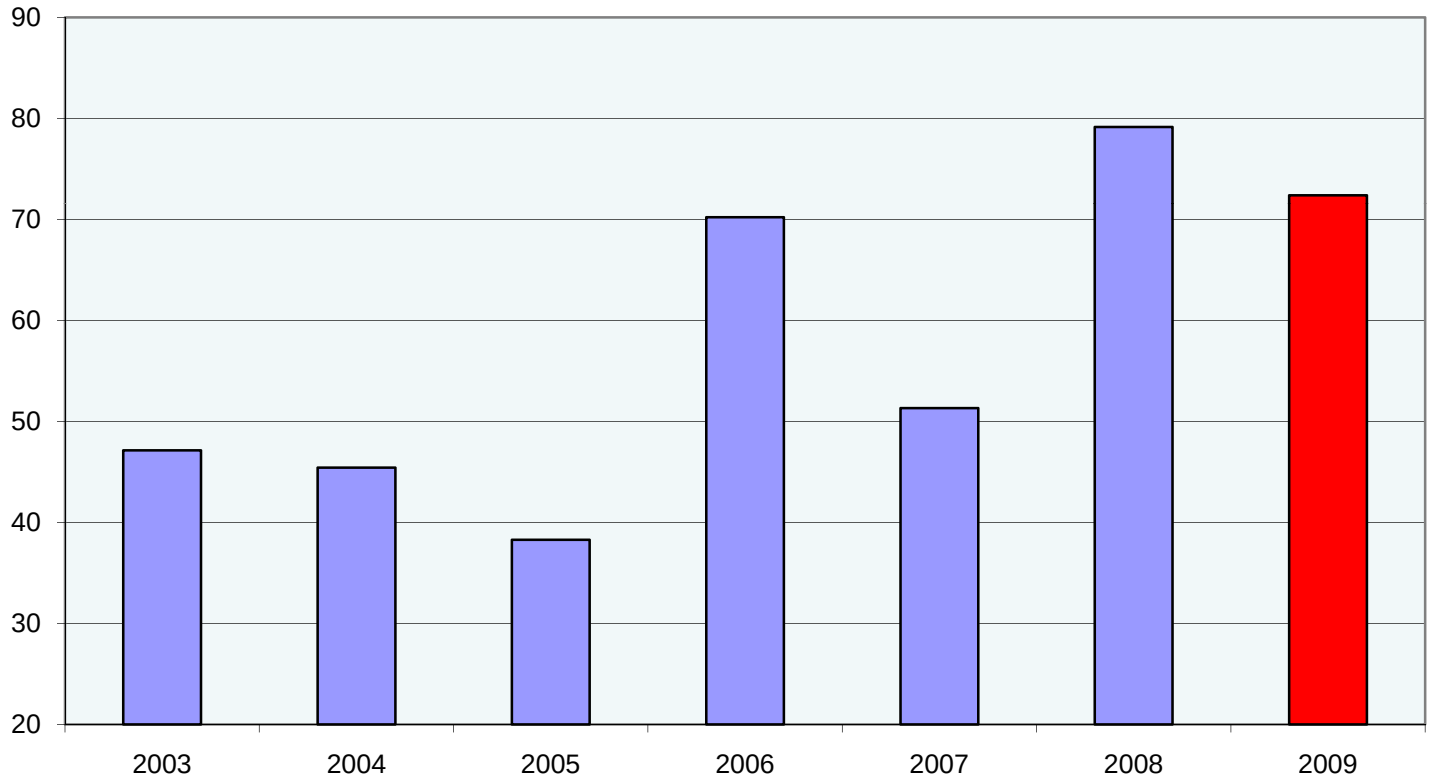
U.S. Residual Fuel Oil Demand Growth



Source: EIA/DOE Petroleum Supply Monthly

U.S. Residual Fuel Oil Days of Supply

(Current weekly data vs. same week in prior years)

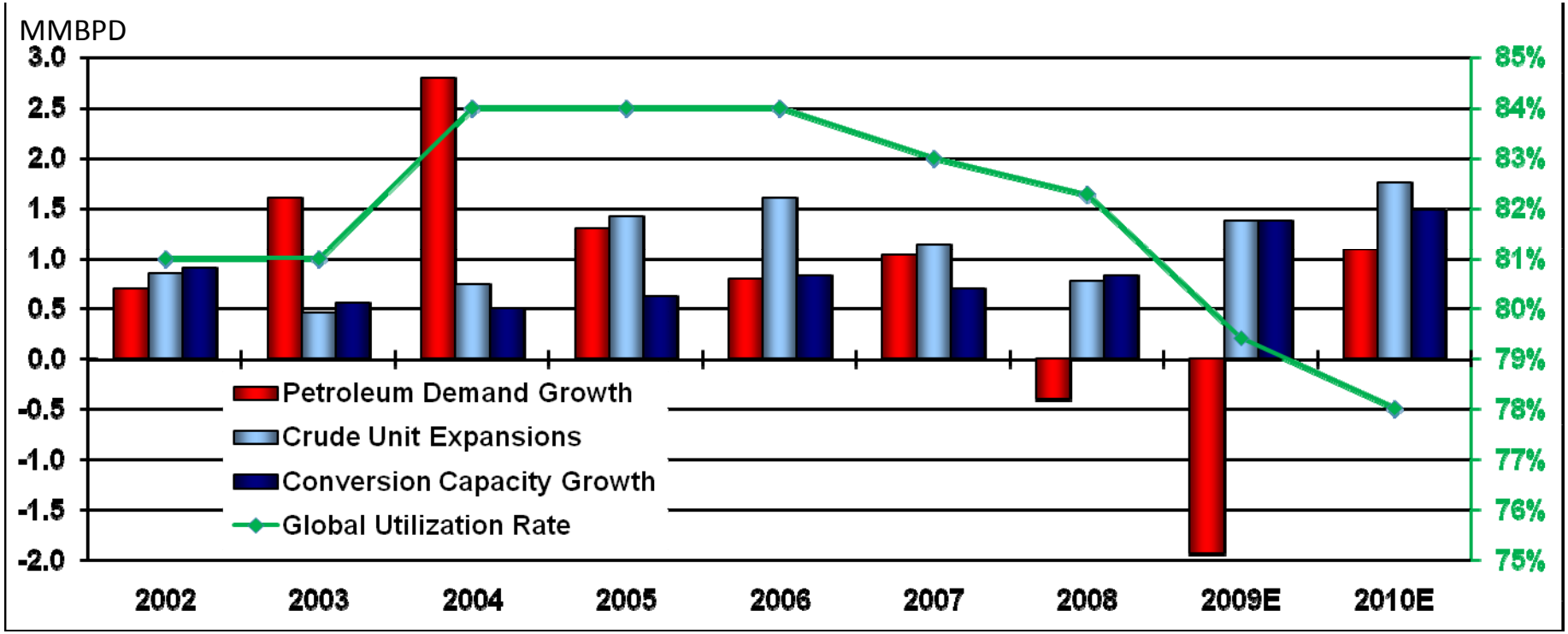


Current Inventory / Trailing 4 Week Average Product Supplied

Source: EIA/DOE Petroleum Supply Monthly

With Demand Down, There's Clearly Excess Refining Capacity

Global Refining Supply and Demand



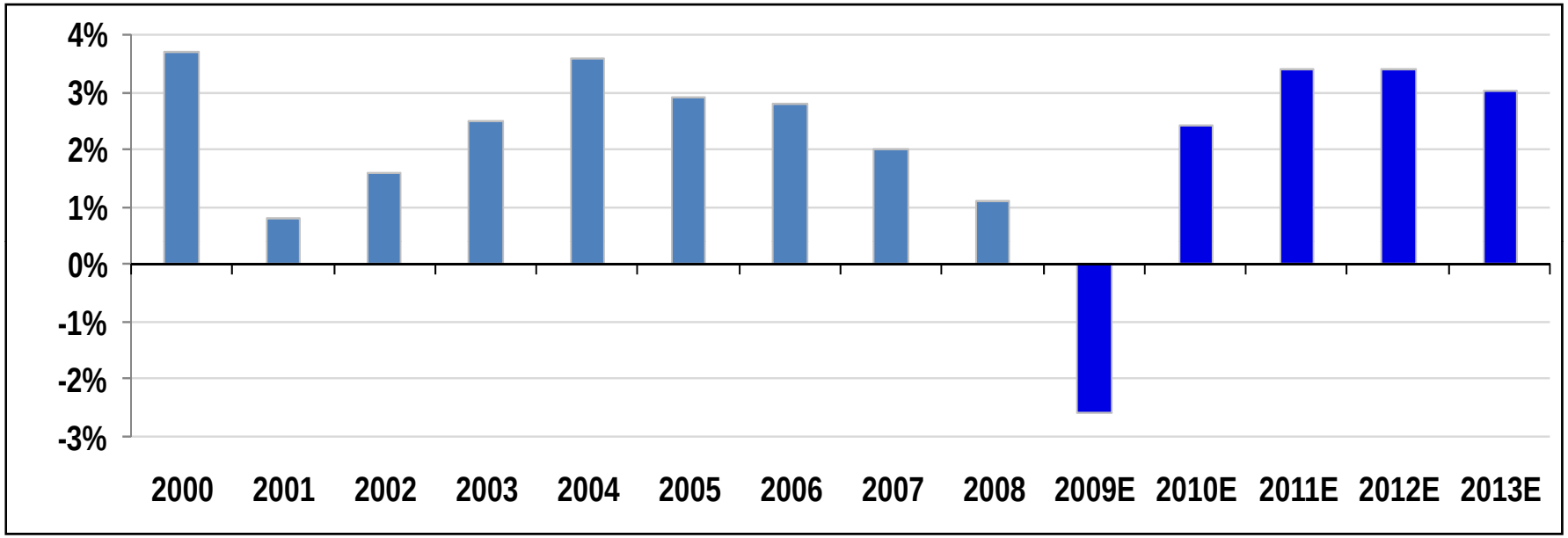
Source: Industry reports and Valero forecast; 2009 through 2013 estimates are based on consultant averages and are subject to change; includes capacity creep

- **Large decrease U.S. and worldwide demand in 2008 and 2009**
- **New capacity being added as lead times are long**
  - Some projects farther out (2011+) are being delayed or cancelled

- **Bottom line – Refinery operating rates are falling to preserve margins**
  - Low 80%'s now, could go into 70%'s

Consensus Forecasts Show Economic Growth Returning Soon

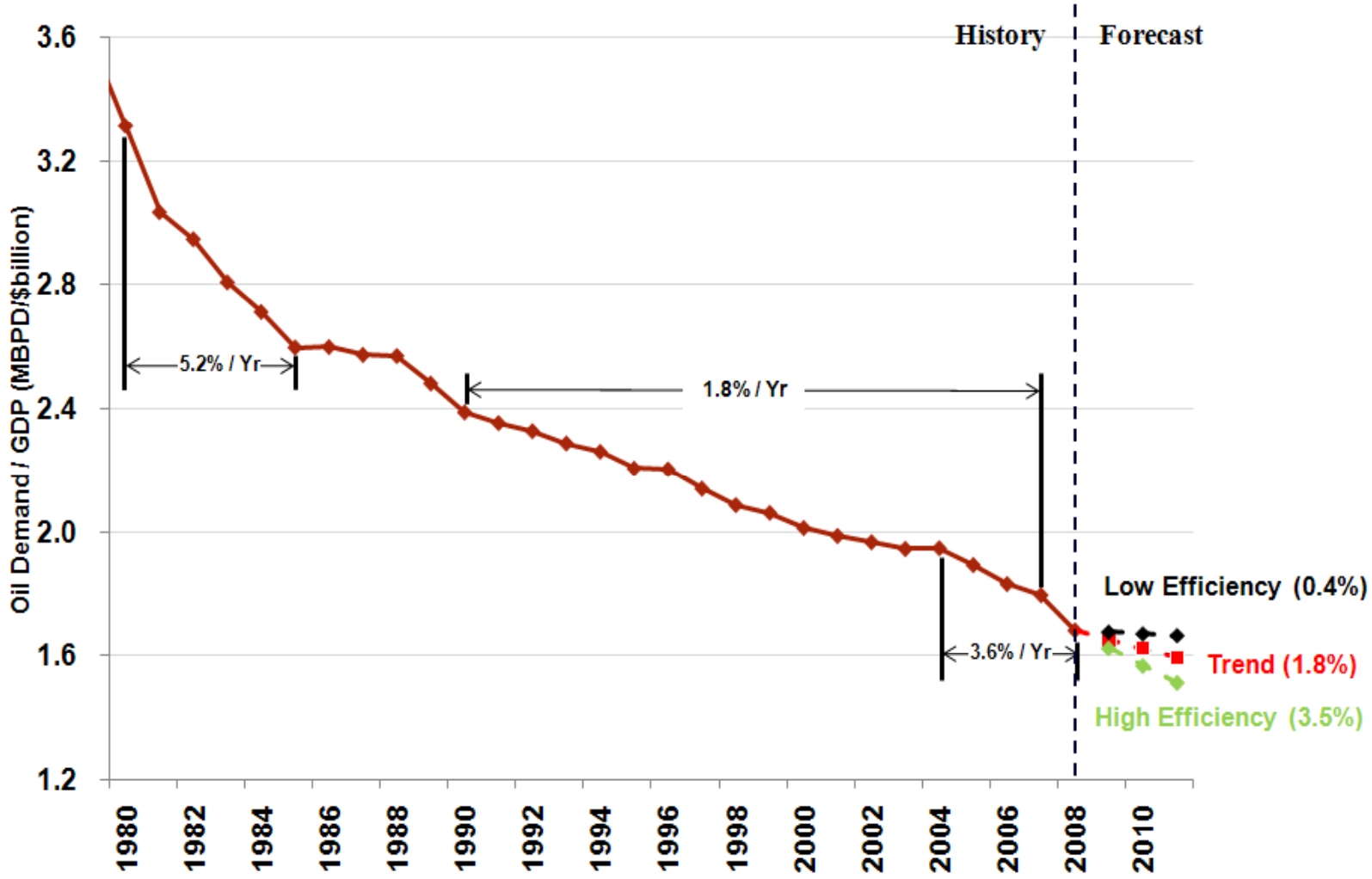
U.S. Real GDP Growth



Sources: Bureau of Economic Analysis, Blue Chip Economic Indicators

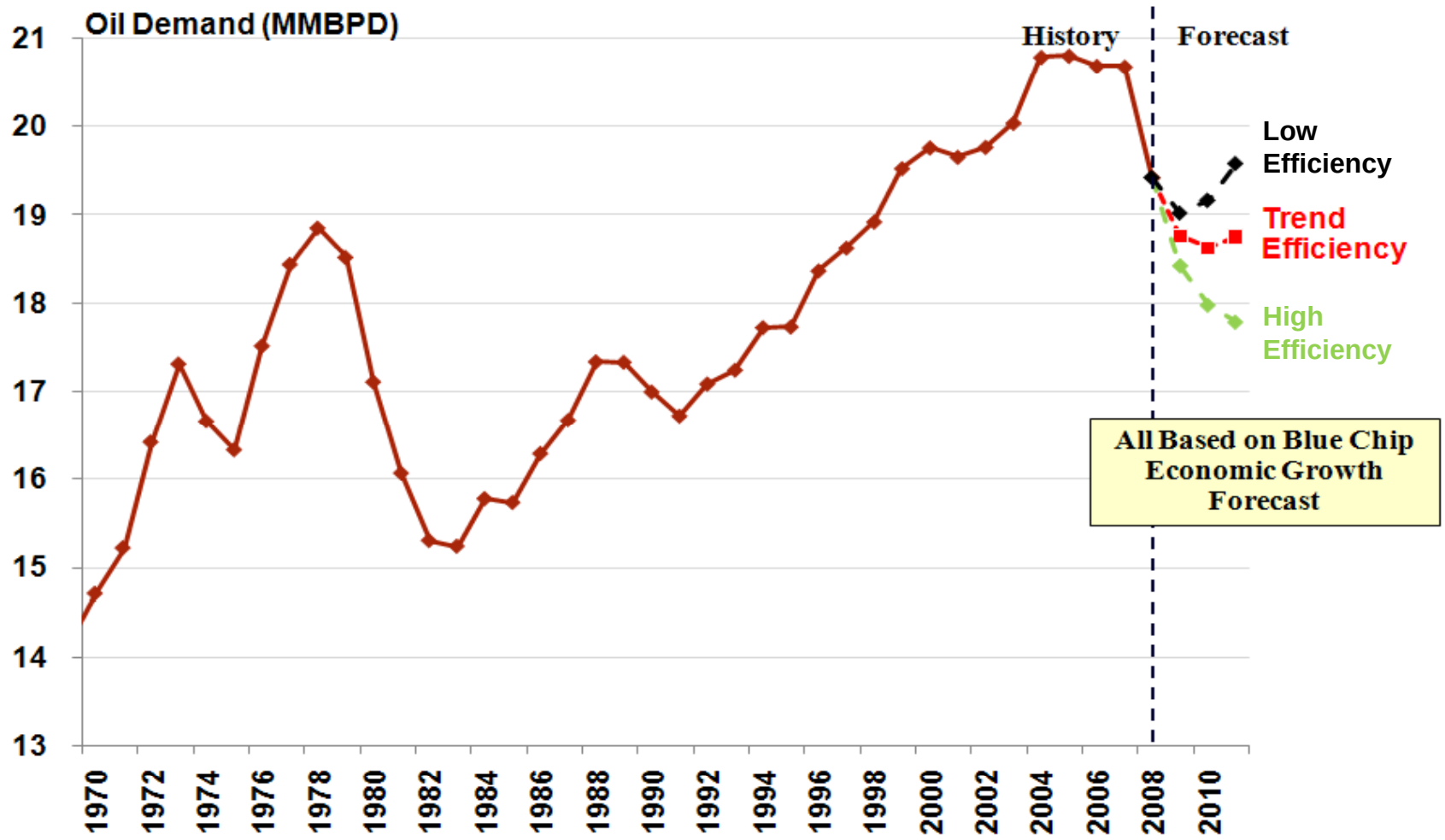
- Recession is bottoming – expect stability rest of 2009 and growth in 2010
  - U.S. real GDP has fallen by a total of 3.9% since the middle of 2008 with the largest declines occurring in 4Q 2008 and 1Q 2009
  - Recent data improving as 2Q09 real GDP shrank at only a 1% annualized rate
- Economic recovery is important to refining margins
  - Gasoline demand correlates with disposable income and employment
  - Diesel and jet fuel demand correlates with GDP activity

U.S. Oil Demand
Efficiency Trends & Scenarios



Sources: Bureau of Economic Analysis, Energy Information Administration, Valero Market Analysis

U.S. Petroleum Demand Efficiency Scenarios



Sources: Bureau of Economic Analysis, Blue Chip Consensus Forecast, DOE, Valero Market Analysis

American Clean Energy and Security Act of 2009 (ACES)

- Emission reductions against 2005 baseline
  - 3% reduction by 2012
  - 17% reduction by 2010
  - 42% reduction by 2030
  - 83% reduction by 2050

- Emission Allowances
  - Approximately 80% of total available allowances would be distributed without charges during first years of cap/trade program.
  - Electricity sector receives approximately 40% of available allowances.
  - Petroleum refineries would receive 2% of available allowances plus 0.25% for small business refineries in 2014.
  - After 2025, no-cost allowance distribution would begin to phase-out and by 2031, approximately 70% of the allowances would be auctioned.

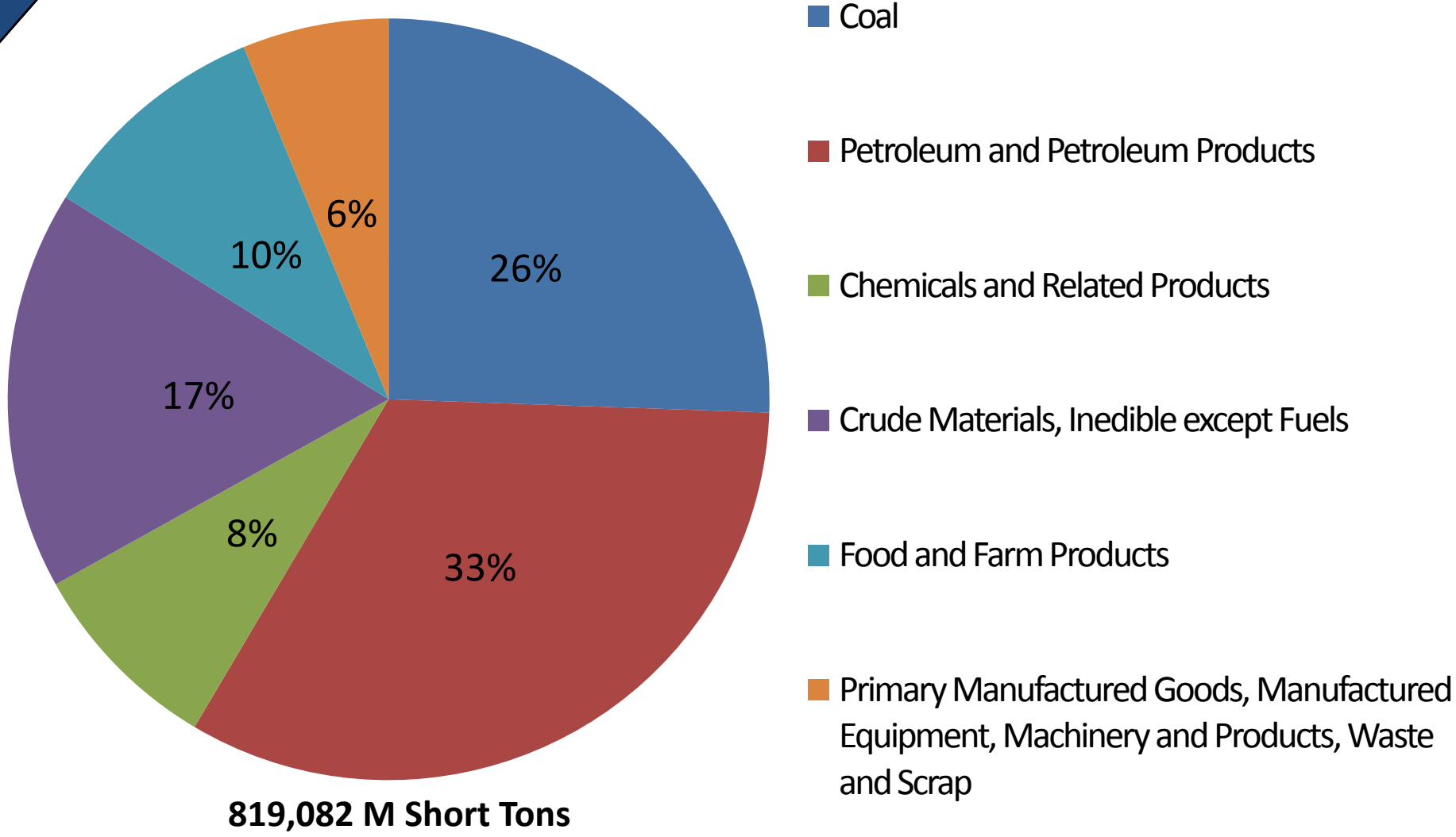
American Clean Energy and Security Act of 2009 (ACES)

- Auctions
  - First auction to be held no later than March 31, 2011.
  - Auctions to be held quarterly via sealed bid and no auction participant can purchase over 5% of allowances offered.
  - Initial auction reserve price at $28 in 2012 with increase by 5% above inflation in 2013-2014.
  - EPA holds a “strategic reserve” of 2.5 billion allowances for use if prices rise above unexpectedly
    high levels established in 2015 at 60% above a rolling a 3 year average of allowance spot price.

- Offsets
  - In 2012, 30% of an entity’s allowance obligation can be satisfied with offsets.
  - An entity can meet its obligation utilizing up to 50% international sources.

- Petroleum Industry Position
  - Petroleum industry united in opposition with API and NPRA in opposition to the bill as currently written.
  - Other key business groups in opposition include the U.S. Chamber of Commerce, American Trucking Associations, and National Association of Manufacturers.
  - We at Valero would encourage all companies to be actively engaged with their congressional representatives on this legislation under debate in Washington.

2007 Inland Barge Movements
Total Commodities



819,082 M Short Tons

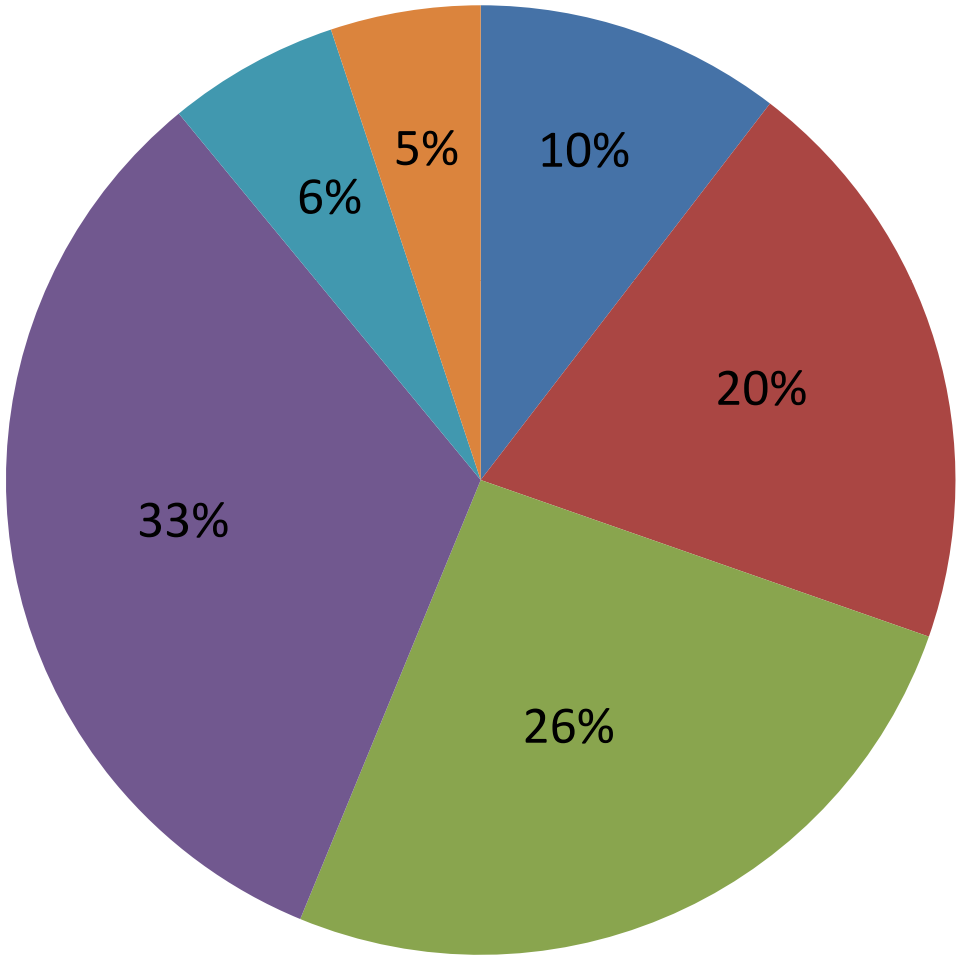
Source: U.S. Army Corps of Engineers

2007 Inland Barge Movements
Total Commodities

Total Commodities	M Short Tons
Coal	209,334
Petroleum and Petroleum Products	269,915
Chemicals and Related Products	68,893
Crude Materials, Inedible except Fuels (does not include 6.6M short tons of waterway improvement material)	139,053
Primary Manufactured Goods, Manufactured Equipment, Machinery and Products, Waste and Scrap	50,843
Food and Farm Products (does not include fish landings)	81,044
Total Commodities	**819,082**

Source: U.S. Army Corps of Engineers

2007 Inland Barge Movements Petroleum Products



269,915 M Short Tons

- Crude Petroleum
- Gasoline
- Kerosene/Distillate Fuel Oil
- Residual Fuel Oil & Asphalt/Tar/Pitch
- Lubes & Greases/Pet Jelly & Wax/Naphtha & Solvents
- Petroleum Coke/Hydrocarbon & Pet Gases, Liquefied & Gaseous/Petroleum Products

Source: U.S. Army Corps of Engineers

2007 Inland Barge Movements Petroleum Products

Types of Petroleum Products	M Short Tons
Crude Petroleum	28,149
Gasoline	53,780
Kerosene/Distillate Fuel Oil	69,786
Residual Fuel Oil & Asphalt/Tar/Pitch	88,592
Lubes & Greases/Pet Jelly & Wax/Naphtha & Solvents	15,816
Petroleum Coke/Hydrocarbon & Pet Gases, Liquefied & Gaseous/Petroleum Products	13,792
Total Petroleum Products	**269,915**

Source: U.S. Army Corps of Engineers

Summary

- The economic recession has significantly reduced US petroleum demand with overall demand driven back to levels last seen in late 1990's.
- The US economy appears to be stabilizing with economic growth expected in 2010. Petroleum demand growth particularly for diesel fuel will return.
- US refiner operating rates have fallen to low 80's and could fall further given new capacity being added from projects initiated prior to the global recession.
- Longer term, energy efficiency as impacted by CAFÉ standards and green house gas-driven policy will have an impact on future fuel growth opportunities for US petroleum demand.
- The petroleum and chemical industries are key users of inland barges accounting for over 40% of tonnage moved by the industry.
- Significant growth opportunities for barge movements of petroleum appear limited in light of overall US demand picture.