

# PROPANE'S ELECTRIFICATION PATH FOR SUCCESS

**THERE IS A TSUNAMI BREWING IN THE FORM OF THE "ELECTRIFY EVERYTHING" MOVEMENT. THIS MOVEMENT, IN COMBINATION WITH THE "DECARBONIZATION" MOVEMENT, CREATES A GROWING CHALLENGE TO OUR INDUSTRY.**

Who hasn't heard of the audacious Elon Musk founder of Tesla, SpaceX, and PayPal? While his companies are disrupting both the vehicle and space markets, they are also incidentally disrupting the battery and solar panel businesses. Sure, Elon Musk's businesses are having significant impacts on other markets as well but as it pertains to our propane industry, his solar and battery businesses could be emblematic of the potential threat to the propane industry. They, and many companies like them, are making a growing push into the "electrification of everything" and "decarbonization" effort.

Tesla's purchase of Solar City (solar panel business) is an example of the growing potential capabilities of solar energy, stored in on-site batteries, for home or business consumption. Though very

successful many other companies are following in its wake to bring solar and battery technology to what we believe is our customer base.


In the fight against this electrification movement, our associations and even some of our competitors, like natural gas, are working to combat

government incentives that may be counter to our industry. Yes, we should certainly be involved at the local levels of our government to represent our propane industry. We need to be prepared to understand the strengths and benefits of propane and help our employees, customers, and communities understand it as well.

At this point, the promotion of electricity as a fuel with a zero-carbon footprint is very misleading. We are many years — even decades — away from most electricity being renewable as coal, natural gas, and nuclear are used to create most of our electricity. When coal and natural gas are used to create electricity, the efficiency is much lower than heating with propane directly. Fully 70 per cent of the energy value is lost before the electricity powers the house. Conversely, with propane, nearly 90 per cent of the fuel gets to the house. So, in these situations an electric water heater will leave more than double the carbon footprint.

When it comes to our push into propane powered auto-gas, we need have an advantage there too. Consider this, when an electric vehicle recharges, the electricity is likely created from coal, where the emission of carbon into the environment is much higher than from propane-powered vehicles, not to mention the attenuation losses as noted above. Some have mentioned that an appropriate bumper sticker for most electric vehicles should be 'coal powered.' There are many in our legislatures and in our communities, who would like to limit our fuel choices, literally ruling out propane-powered options in favour of higher carbon-producing energy in the full fuel cycle. All in the name of cutting carbon emissions and helping the environment.

The misinformed are promoting electricity as a virtual energy and climate saviour because it can be produced from renewable resources — like wind and solar. But public resistance to wind farms and acres of solar panels is mounting. Eventually it will become apparent the major disadvantage of renewable electricity is the difficulty of generating quantities of electricity that are as large as and as dependable as those produced by traditional fossil fuel generators. The pace of renewable power installations will eventually slow, as its place in the overall energy picture becomes market driven instead of emotionally driven.



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In the meantime, many policy makers are coming after you and your propane customers. They want to electrify everything and reduce or eliminate the use of fossil fuel. We in the propane industry have two major directives:

1. We must work with our associations, our legislatures, our communities to inform them with facts and a meaningful message. Our fuel is affordable and is cleaner than electricity when one considers the carbon footprint of each energy in the full fuel cycle.
2. The second critical measure we must do is most well explained by Elon Musk, who happens to be leading the technology development that could adversely affect us. He stated recently that "speed of innovation is the critical piece to business success." We as an industry must immediately take steps to innovate.

So how does an almost century old industry innovate? One idea is to look at the most successful companies in the business of delivering commodities and just copy what they did that brought them success. These companies have crushed their competition, grown sales, and slashed costs. They are doing the commodity delivery business different from the old way of doing things and that has been their success and their competitors' downfall.

Amazon and Tesla are often misunderstood but they are essentially commodity delivery businesses. Unlike their competition they innovated and leverage technology to conduct commodity delivery at 90 per cent less cost and 10 times more profit. When our industry begins thinking outside of the traditional method of delivery, we will be able to compete better against electricity. We will have created a cost structure such that our customers will be happy to embrace our message of lower cost and lower emissions. Then they become the proponents for and with us. We must optimize and streamline our businesses to eliminate costs so we can be more and more competitive.

Case studies: One very successful fuel delivery company, with more than 300 fuel delivery trucks, has created a completely new branded company that does all transactions via an app — just like Uber and Amazon. They rolled this out in one location three years ago and have since implemented it in three more locations. They are using their present offices to provide a place to park their delivery trucks but have automated everything for

the driver and customers. They have a plan in-place to expand this across all their locations; so, as 5G, terrestrial satellite connectivity, and digital purchasing (pioneered by Amazon) make digital buying easier, they will be able to gain market-share at a reduced operating cost.

One national propane company has implemented an app for their customers. They believe it will reduce their office staff by 30 per cent in the next three years and will allow them to connect with and differentiate themselves from their competitors, helping grow their market share. They are not alone; many regional and smaller more entrepreneurial propane companies are doing the same. For a quick way to launch this for your company, you



might want to reach out to CustomFuelApp.com and see how you can reduce costs and beat your competition to a more innovative, efficient, and streamlined business model.

In the next article we will do a deep dive into one of the newest, most innovative and potentially most disruptive propane delivery companies in North America. We will investigate what they are doing, how it will disrupt your business, and how it will launch them into a multinational propane company in mere years with minimal costs. It will help us see the direction of the propane industry from the perspective of a technology innovator and help disclose how you may be able to leverage your business too.

**REMEMBER, "INNOVATE OR DIE." THIS YEAR IS A FRESH NEW YEAR FOR YOU TO LAUNCH INTO INNOVATIVE SOLUTIONS TO GROW YOUR BUSINESS. THE GOOD NEWS IS THAT MOST OF YOUR COMPETITION WILL NOT ACT, THEY WILL NOT INNOVATE, AND YOU WILL BE MILES AHEAD OF THEM.**