

Clean Energy Fuels Corp.
Form 10-K
February 28, 2013

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2012

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission File Number: 001-33480

CLEAN ENERGY FUELS CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

33-0968580
(IRS Employer Identification No.)

3020 Old Ranch Parkway, Suite 400, Seal Beach CA 90740
(Address of principal executive offices, including zip code)

(562) 493-2804
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	The NASDAQ Global Market
Securities registered pursuant to section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding

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12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2012, the last business day of the registrant's second fiscal quarter, was approximately \$1,048,772,532 (based on the closing price reported on such date by The NASDAQ Global Market of the registrant's common stock). Shares of common stock held by officers and directors and holders of 10% or more of the outstanding common stock have been excluded from the calculation of this amount because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 22, 2013, the number of outstanding shares of the registrant's common stock was 88,355,226.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2013 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this annual report on Form 10-K to the extent stated herein.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this annual report on Form 10-K may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based upon our current assumptions, expectations and beliefs concerning future developments and their potential effect on our business. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "approximately," "estimate," "predict," "project," "potential," "continue," "ongoing," or the negative of these terms or other comparable terminology, although the absence of these words does not necessarily mean that a statement is not forward-looking. We believe that the statements in this annual report on Form 10-K that we make regarding the following subject matters are forward-looking by their nature:

our ability to capture a substantial share of the significant anticipated growth in the market for natural gas as a vehicle fuel and to enhance our leadership position as that market expands;

our plan and the projected schedule to build America's Natural Gas Highway;

development, commercial availability and adoption of new natural gas engines for the U.S. heavy duty over-the-road trucking market including the CWI 11.9 liter engine;

LNG sourcing and supply;

the importance of our partnership with General Electric;

plans to build two LNG plants with General Electric;

plans to sell RNG we generate and purchase RNG from third party producers as a vehicle fuel;

our ability to generate and sell RINs and LCFS Credits at prices that enable us to profitably market and sell RNG;

the potential for the trucking market to become our biggest;

plans to expand our station network and business with existing customers and to win business with new customers;

the success of our business of manufacturing and selling natural gas vehicle fuel compression equipment;

the success and expansion of our business of producing and selling RNG;

our ability to sell RNG we produce at prices that are at a premium to conventional natural gas prices;

the success of our natural gas vehicle conversion business;

the amount of estimated payments to former owners of wholly owned subsidiaries in future years pursuant to the terms of the respective purchase agreements;

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increasing our sales in the trucking, taxi, public transit, refuse hauling and airport markets;

expanding our business into international markets, and managing our existing international operations;

plans to participate in state and federal grant programs;

expansion of our California LNG plant;

anticipated increased production of RNG at our facility in Dallas, Texas;

expectations about sales of RNG produced by our facility in Michigan;

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construction of our RNG facility in Tennessee;

strategic benefits of owning BAF and IMW and our other subsidiaries;

developments and trends and opportunities for growth in the natural gas and fleet vehicle markets, including increased transition from diesel and gasoline powered vehicles to natural gas vehicles;

more stringent emissions requirements continuing to make natural gas vehicles an attractive alternative to traditional gasoline and diesel powered vehicles;

impact of environmental regulations and pressures on oil supply on the cost of crude oil, gasoline, diesel and diesel engines;

future supply, demand, use and prices of crude oil and natural gas and fossil and alternative fuels, including gasoline, diesel, natural gas, biodiesel, ethanol, electricity, and hydrogen;

estimated incremental costs, annual fuel usage, fuel costs, and annual fuel cost savings for vehicles using natural gas instead of gasoline or diesel;

projected capital expenditures, project development costs and related funding requirements;

estimated costs to cover the possible increased price of natural gas above the inherent prices embedded in our customers' fixed price contracts;

access to equity capital and debt financing options, including, but not limited to, equipment financing, sale of convertible promissory notes or commercial bank financing;

the impact and availability of federal tax credits and incentives on our business and stock price;

the impact of advancements in other alternative vehicle fuels and technologies and existing technologies on our business;

the potential for oil companies, natural gas utilities and others to enter the natural gas fuel market;

expectations regarding the sale of our interest in our Peruvian joint venture;

the potential for a single large shareholder to exert significant influence over our corporate decisions; and

our expectations regarding our natural gas futures contracts, our margin account and our cash balances.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Although the forward-looking statements in this annual report on Form 10-K reflect our good faith judgment, based on currently available information, they involve known and unknown risks, uncertainties and other factors that may cause our actual results or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the

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"Risk Factors" contained in this annual report on Form 10-K. As a result of these factors, we cannot assure you that the forward-looking statements in this annual report on Form 10-K will prove to be accurate. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date we file this annual report on Form 10-K with the Securities and Exchange Commission, or to conform these statements to actual results or to changes in our expectations. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission after the date we file this annual report on Form 10-K.

Unless the context indicates otherwise, all references to "Clean Energy," the "Company," "we," "us," or "our" in this annual report on Form 10-K refer to Clean Energy Fuels Corp., together with its majority and wholly owned subsidiaries.

PART I

Item 1. Business.

Overview

We are the leading provider of natural gas as an alternative fuel for vehicle fleets in the United States and Canada, based on the number of stations operated and the amount of gasoline gallon equivalents of compressed natural gas ("CNG") and liquefied natural gas ("LNG") delivered. We design, build, operate and maintain fueling stations and supply our customers with CNG fuel for light, medium and heavy-duty vehicles and LNG fuel for medium and heavy-duty vehicles. We also sell non-lubricated natural gas compressors and related equipment used in CNG stations and LNG stations, convert light and medium duty vehicles to run on natural gas, provide design and engineering services for natural gas engine systems, and produce renewable natural gas ("RNG"), which can be used as vehicle fuel or be sold for renewable power generation. In addition, we help our customers acquire and finance natural gas vehicles and obtain local, state and federal grants. CNG and LNG are cheaper than gasoline and diesel fuel, and are well suited for use by vehicle fleets that consume high volumes of fuel, refuel at centralized locations, or along well defined routes, and are increasingly required to reduce emissions. According to the U.S. Department of Energy's Energy Information Administration ("EIA"), the amount of natural gas consumed in the U.S. for vehicle use more than doubled between 2000 and 2012. We believe we are positioned to capture a substantial share of the growth in the use of natural gas as a vehicle fuel in the U.S. given our leading market share and the comprehensive solutions we offer.

We sell natural gas vehicle fuels in the form of both CNG and LNG. CNG is generally used in automobiles, light to medium-duty vehicles, refuse trucks, and transit buses as an alternative to gasoline and diesel. CNG is produced from natural gas that is supplied by local utilities to CNG vehicle fueling stations, where it is compressed and dispensed into vehicles in gaseous form. We also provide CNG by delivering and vaporizing LNG to turn liquefied natural gas into compressed natural gas ("LCNG"), at locations where no gas pipeline service exists or gas pipeline pressures are inadequate. LNG is generally used in trucks and other medium to heavy duty vehicles as an alternative to diesel, where a vehicle must carry a greater amount of fuel energy than can be feasibly provided onboard by CNG. LNG is natural gas that is cooled at a liquefaction facility to approximately -260 degrees Fahrenheit until it condenses into a liquid, which takes up about 1/600th of its original volume as a gas. We deliver LNG to fueling stations via our fleet of 64 tanker trailers. At the stations, LNG is stored in above ground tanks until dispensed into vehicles in liquid form. We are also beginning to sell RNG (which can be compressed and dispensed as CNG or liquefied and dispensed as LNG) for use as a vehicle fuel.

We serve fleet vehicle operators in a variety of markets, including trucking, airports, taxis, refuse hauling and public transit. We believe these fleet markets will continue to present a high growth opportunity for natural gas vehicle fuels. At December 31, 2012, we served approximately 650 fleet customers operating approximately 30,600 natural gas vehicles, and we owned, operated or supplied 348 natural gas fueling stations in 32 states, in British Columbia and Ontario within Canada, as well as in Peru.

We are building a nationwide network of LNG truck fueling stations, which we refer to as America's Natural Gas Highway or ANGH, on the interstate highway system and in major metropolitan areas to serve trucks that are moving goods around the country on natural gas. We expect America's Natural Gas Highway to enable freight trucking coast to coast and border to border within the 48 continental states. We anticipate that America's Natural Gas Highway will initially include approximately 150 truck fueling stations, of which 70 ANGH stations were completed at the end of 2012. Of these 70 stations, seven are open and selling LNG, and the remainder are planned to open as natural gas trucks are deployed in the geographic areas where the stations are located. We expect to

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build approximately 50 - 70 additional ANGH stations in 2013, depending upon the deployment of natural gas trucks, demand for LNG, and our ability to identify and obtain suitable locations for LNG stations, among other things. Many ANGH stations are located at Pilot Flying J Travel Centers, one of the largest truck fueling operators in the U.S., with approximately 500 truck travel centers in 43 states.

In November 2012, we entered a strategic collaboration with General Electric ("GE") that we expect to expand the infrastructure for natural gas transportation in the United States by supporting our efforts to build America's Natural Gas Highway. As part of the strategic collaboration, GE is providing us a \$200 million credit facility to finance our anticipated purchase of two LNG plants (the "GE Plants") from GE Oil & Gas, Inc., an affiliate of GE that will also be responsible for all engineering, procurement and construction relating to the GE Plants. The strategic collaboration will help ensure that we control a reliable LNG supply for our fueling stations, which will be critical as the long-haul trucking industry transitions to natural gas. The GE partnership is one of the most significant strategic milestones in our history.

During the past decade, various federal and state air quality and alternative fuel regulations and incentive programs have gone into effect. These regulations have created demand for tradable credits we generate by selling natural gas and RNG for use as a vehicle fuel. These tradable credits include Renewable Identification Numbers ("RINs") that can be generated under the federal Renewable Fuel Standard Phase 2 ("RFS"), which was implemented by the U.S. Environmental Protection Agency ("EPA") according to the Energy Policy Act of 2005. In addition, we can generate credits (which we refer to as "LCFS Credits") under the California low carbon fuel standard ("LCFS") promulgated by the California Air Resources Board ("CARB") pursuant to AB 32 the Global Warming Solutions Act of 2006. In 2012, we recognized \$2.9 million of revenue through the sale of LCFS Credits and entered an agreement, which we believe is the first of its kind, to sell RINs to a third party over a three year term with minimum pricing set for the RINs. We believe demand for tradable credits generated under federal and state regulations will grow, and we believe our extensive natural gas fueling infrastructure and our access to LNG and RNG uniquely position us to generate and sell RINs and LCFS Credits.

The Market for Vehicle Fuels

According to the EIA's Annual Energy Outlook 2013 Early Release (December 5, 2012), the U.S. consumed an estimated 168 billion gasoline gallon equivalents of gasoline and diesel in 2011. Gasoline and diesel comprise the bulk of vehicle fuel consumed in the United States, while CNG, LNG and other alternative fuels, including ethanol, propane, hydrogen, biodiesel, electricity and methanol, represent approximately 3% of consumption, according to the EIA. The Annual Energy Outlook 2013 Early Release projects that natural gas use in the heavy-duty transportation sector will grow to 1.7 trillion cubic feet, or over 12 billion diesel equivalent gallons, by 2040.

Since 2009, as world economic growth has resumed and political instability has swept the Middle East, oil, gasoline, and diesel prices have been volatile and generally increased, with prices for a barrel of crude often topping \$100.

Higher oil, gasoline and diesel prices improve the magnitude of the immediate market opportunity for natural gas fuels. Increasingly stringent federal, state and local air quality regulations, a desire to lower greenhouse gas emissions, and regulations mandating low carbon fuels continue to develop, which support natural gas fueling options. In addition, the desire for fuel diversity among fleet operators further enhances the market opportunity for natural gas fuels. Internationally, natural gas as an alternative fuel has been widely used for many years. The December 2012 edition of the Gas Vehicles Report estimates that there are only 112,000 natural gas vehicles in the United States, compared to approximately 16.5 million worldwide.

Natural Gas as an Alternative Fuel for Vehicles

We believe that natural gas is an attractive alternative to gasoline and diesel for vehicle fuel in the United States and Canada because it is cheaper and cleaner than gasoline or diesel. In addition, almost all natural gas consumed in the United States and Canada is produced from U.S. and Canadian sources. According to the EIA, in 2011, there were approximately 263 million gasoline gallon equivalents of natural gas consumed in the United States for vehicle use, which is more than double the amount consumed in 2000. The December 2012 Natural Gas Vehicle Report published by the NGV Journal estimates that there are approximately 1,035 natural gas fueling stations in the United States.

Benefits of Natural Gas Fuel

Less Expensive. Based on EIA data, since 2004, CNG and LNG have been significantly less expensive than gasoline and diesel. For example, in 2012, the average retail CNG price we charged in California, our most significant market, was \$1.18 less per gasoline gallon equivalent than the average California regular unleaded gasoline price of \$4.03 per gallon. In addition, CNG and LNG are also currently cheaper than the three other most widely available alternative fuels, propane, ethanol blends and biodiesel, as reported by the Department of Energy on an energy equivalent basis. LNG prices per diesel gallon equivalent are also favorable to diesel prices. In California, for example, Low Sulfur Diesel for 2012 averaged \$4.23 per gallon, compared to our LNG diesel gallon equivalent price of \$2.91.

In 2007, new federal emissions requirements became effective for medium and heavy duty engines, and more stringent requirements went into effect in 2010. These requirements limit the levels of specified emissions from new vehicle engines manufactured in or after these years, and have resulted in cost increases for both acquiring and operating diesel vehicles. In order to comply with these standards, 2010 and later diesel engine models have employed significant new emissions control technologies such as advanced particulate matter traps, exhaust gas recirculation systems, and selective catalytic reduction strategies that require urea, all of which have resulted in increases to the cost of medium and heavy duty diesel vehicles. According to industry sources, the purchase price of a 2010 heavy duty diesel vehicle that meets the 2010 diesel emission standards increased by more than \$10,000 per vehicle. The 2010 and newer diesel vehicles require the use of ultra-low sulfur diesel fuel to meet the standards, which we believe increases the cost of operating and maintaining medium and heavy duty diesel vehicles. We expect these additional emission requirements will generally increase the cost to own and operate diesel vehicles.

We anticipate that, over the long term, the prices for gasoline and diesel will continue to be higher than the price of natural gas as a vehicle fuel, due to high crude oil prices and plentiful domestic supplies of natural gas. In addition, we believe that more stringent emissions requirements will continue to increase the cost of diesel engines and thereby make natural gas vehicles an attractive alternative.

The chart below shows our average pump prices in California for CNG and LNG relative to California retail regular gasoline and diesel prices on a gasoline gallon equivalent basis for the periods indicated. CNG and LNG powered vehicles produce roughly the same miles per gallon as compared to gasoline or diesel powered vehicles.

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Average California Retail Prices

(per gasoline gallon equivalent)(1)

	Year Ended December 31,		
	2010	2011	2012
California retail gasoline(2)	\$ 3.09	\$ 3.82	\$ 4.03
California retail diesel(2)(3)	\$ 2.84	\$ 3.67	\$ 3.80
California CNG Clean Energy	\$ 2.51	\$ 2.70	\$ 2.85
CNG discount to gasoline	\$ (0.58)	\$ (1.12)	\$ (1.18)
CNG discount to diesel	\$ (0.33)	\$ (0.97)	\$ (0.96)
California LNG Clean Energy	\$ 2.03	\$ 2.33	\$ 2.62
LNG discount to diesel	\$ (0.81)	\$ (1.34)	\$ (1.19)

- (1) Industry analysts typically use the gasoline gallon equivalent method in an effort to provide a normalized or "apples to apples" comparison of the relative cost of CNG and LNG compared to gasoline and diesel. Using this method, the cost of CNG and LNG is presented based on the amount of CNG and LNG required to generate the same amount of energy, measured in British Thermal Units, or BTUs, as a gallon of gasoline. Diesel prices were also converted to the energy equivalent of a gallon of gasoline.
- (2) Retail gasoline and diesel prices from the EIA.
- (3) Converted to gasoline gallon equivalents assuming 125,000 BTU and 139,000 BTU per gallon of gasoline and diesel, respectively.

The following chart shows the estimated annual fuel cost savings that may be achieved by the natural gas vehicle.

Representative Annual per Vehicle Fuel Cost Savings by Fleet Market for California Based on Average Fuel Prices During 2012

Market	Fuel	Estimated annual fuel usage (gallons)(1)(2)	Cost of fuel CNG or LNG vs. gasoline or diesel (gallons)(1)(3)		Estimated annual fuel cost savings
Taxi	CNG or Gasoline	5,000	\$2.85(4)	vs. \$4.03(4)	\$ 5,900
Shuttle van	CNG or Gasoline	7,500	\$2.85(4)	vs. \$4.03(4)	\$ 8,850
Municipal transit bus (CNG)	CNG or Diesel	16,680	\$1.70(5)	vs. \$3.14(6)	\$ 24,019
Refuse truck (CNG)	CNG or Diesel	11,120	\$1.54(5)(7)	vs. \$3.80(6)	\$ 25,131
Municipal transit Bus (LNG)	LNG or Diesel	16,680	\$1.36(5)	vs. \$3.14(6)	\$ 29,690
Refuse truck (LNG)	LNG or Diesel	11,120	\$1.48(5)(7)	vs. \$3.80(6)	\$ 25,798
Heavy-duty truck (LNG)	LNG or Diesel	22,240	\$2.62(8)	vs. \$3.80(6)	\$ 26,243

- (1) CNG and LNG volumes are stated on a gasoline gallon equivalent basis. Industry analysts typically use the gasoline gallon equivalent method in an effort to provide a normalized or "apples to apples" comparison of the relative cost of CNG and LNG compared to gasoline and diesel. Using this method, the cost of each fuel is presented based on the same amount of energy, measured in BTUs, as a gallon of gasoline.
- (2) Average fleet vehicle usage estimated by us based on experience with our customers. Estimated usage for a taxi is based on a "single-shift" driving program.

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- (3) Fuel prices for municipal transit buses are lower compared to refuse trucks because fuel for municipal buses is not subject to fuel excise taxes.
- (4) CNG retail pricing is based on average Clean Energy retail station pricing in California during 2012. Gasoline retail pricing is based on California average retail gasoline prices during 2012 as reported by EIA.
- (5) CNG and LNG prices based on average prices paid by representative Clean Energy California fleet customers in 2012.
- (6) Diesel price based on EIA reported average diesel price in California in 2012.
- (7) Excludes California Board of Equalization taxes of \$0.0875 per gasoline gallon equivalent on CNG vehicles and \$0.06 per gallon on LNG vehicles, as these customers typically buy an annual permit of \$168.00 per truck over 12,000 gross vehicle weight that allows them to opt out of this tax.
- (8) LNG retail price is based on average Clean Energy retail station pricing at the Port of Long Beach station in 2012.

Cleaner. Use of CNG and LNG as a vehicle fuel creates less pollution than use of gasoline or diesel, based on data from South Coast Air Quality Management District studies. On-road mobile source emissions reductions are becoming increasingly important because many urban areas have failed to meet federal air quality standards. This failure has led to the need for more stringent governmental air pollution control regulations.

Transportation is responsible for approximately 27% of total U.S. greenhouse-gas emissions, and over 13% of global greenhouse gas emissions. Under the LCFS, CARB recognizes that the "well to wheels" analysis of natural gas as a vehicle fuel indicates that natural gas provides an up to 29% reduction in greenhouse gas emissions for light duty vehicles and up to a 23% reduction for medium and heavy-duty vehicles.

RNG use is also a means to reduce greenhouse gas emissions. RNG is produced from waste streams such as landfills, animal waste digesters and waste water treatment plants. RNG can be liquefied or injected into a pipeline and is compatible with existing natural gas fueling infrastructure. A full lifecycle analysis performed by CARB has determined that use of RNG generated from landfills as a vehicle fuel can reduce greenhouse gas emissions by up to 88% as compared to gasoline. Further, the RFS creates tradable credits, or RINs, that can be generated by production and use of RNG in the transportation sector and can be sold to fuel providers that are not compliant under the RFS. RNG can also be used to generate renewable power in gas-fired power generation units.

We sell RNG we produce for use as a vehicle fuel through our extensive natural gas fueling infrastructure. In addition, we sell the RINs and LCFS Credits that we generate through these transactions. We plan to escalate our activities in this area by using our fueling infrastructure to sell increasing amounts of RNG, as well as by entering additional transactions to sell the LCFS Credits and RINs we generate. We have also agreed to market and sell RNG produced by third parties and retain a portion of the RIN and LCFS Credit values generated from those transactions.

Safety. As reported by NGV America, CNG and LNG are safer than gasoline and diesel because they dissipate into the air when spilled or in the event of a vehicle accident. When released, CNG and LNG are also less combustible than gasoline or diesel because they ignite only at relatively higher temperatures. The fuel tanks and systems used in natural gas vehicles are subjected to a number of federally required safety tests, such as fire, environmental hazard tests, burst pressures, and crash testing, according to the U.S. Department of Transportation National Highway Traffic Safety Administration. CNG and LNG are stored in above ground tanks and therefore cannot contaminate soil or groundwater.

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Domestic and plentiful supply. In 2012, the U.S. consumed 18.6 million barrels of crude oil per day, of which 51% was supplied from the U.S. and Canada and 49% was imported from other countries, according to the EIA. By comparison, the EIA estimates that over 99% of the natural gas consumed in the United States in 2012 was supplied from the United States and Canada making it less vulnerable to foreign supply disruption. In addition, the EIA estimates that less than 0.15% of the estimated 25.3 trillion cubic feet of natural gas consumed in the U.S. in 2012 was used for vehicle fuel.

Analysts believe that there is a significant worldwide supply of natural gas relative to crude oil. According to the 2012 BP Statistical Review of World Energy, on a global basis, the ratio of proven natural gas reserves to 2011 natural gas production was 17% greater than the ratio of proven crude oil reserves to 2011 crude oil production. This analysis suggests significantly greater long-term availability of natural gas than crude oil based on current consumption.

On April 27, 2011, the Potential Gas Committee ("PGC") released its report on the natural gas resource base in the U.S. The report states that the U.S. possesses a total resource base of 1,898 trillion cubic feet ("Tcf"). This is the highest resource evaluation in the PGC's 45 year history. Another study, published by Navigant Consulting in March 2012, defined the recoverable natural gas resources at 2,543 Tcf, or more than 100 years at current consumption levels.

A 2010 IHS CERA special report "Fueling America's Energy Future" stated "North American discovered natural gas resources have increased by more than 1,800 Tcf over the prior three years, bringing the total natural gas resource base to more than 3,000 Tcf, a level that could supply current consumption for well over 100 years."

In addition, the final 2012 Annual Energy Outlook report from the EIA estimates that shale gas could represent 49% (13.6 Tcf) of U.S. natural gas production by the year 2035, up from the 14% and 23% (5 Tcf) of domestic natural gas produced in 2009 and 2010, respectively. The EIA estimates that, based upon 2010 consumption levels, there is enough available shale gas to satisfy demand for the next 100 years. The primary reason for the availability of additional natural gas is the increased successful use of recent shale drilling technology and continued drilling in shale plays with high concentrations of natural gas liquids and crude oil, which have a higher energy value than dry natural gas.

Hydraulic fracturing (commonly called "fracking" or "hydrofracking") is a technique in which water, sand and a small amount of chemicals are pumped into the well to unlock the hydrocarbons trapped in shale formations by opening cracks (fractures) in the rock and allowing natural gas to flow from the shale into the well. When used in conjunction with horizontal drilling, hydraulic fracturing enables gas producers to extract shale gas at a reasonable cost. Horizontal drilling is an enhanced oil recovery or gas recovery method. A horizontal well is commonly defined as any well in which the lower part of the well bore parallels the oil zone. The benefits of horizontal wells include the avoidance of drawdown-related problems such as water/gas coning, and extension of wells by means of multiple drain holes. Without these techniques, natural gas does not flow to the well rapidly, and commercial quantities cannot be produced from shale because the natural gas would not flow from the formation at high enough rates to justify the cost of drilling. There have been recent efforts to place new regulatory requirements on the production of natural gas by hydraulic fracturing, and any regulations that make it more expensive or unprofitable to produce natural gas through hydraulic fracturing could lead to reduced natural gas supply and increased natural gas prices.

Natural Gas Vehicles and Engines

Natural gas vehicles use internal combustion engines similar to those used in gasoline or diesel powered vehicles. A natural gas vehicle uses sealed storage cylinders to hold CNG or LNG, specially designed fuel lines to deliver natural gas to the engine, and an engine tuned to run on natural gas. Natural gas fuels have higher octane content than gasoline or diesel, and the acceleration and other performance characteristics of natural gas vehicles are similar to those of gasoline or diesel powered

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vehicles of the same weight and engine class. Natural gas vehicles, whether they run on CNG or LNG, are refueled using a hose and nozzle that makes an airtight seal with the vehicle's gas tank. For heavy duty vehicles, spark ignited natural gas vehicles generally operate more quietly than diesel powered vehicles. Natural gas vehicles typically cost more than gasoline or diesel powered vehicles, primarily due to the higher cost of the storage systems that hold the CNG or LNG.

Any passenger car, truck, bus or other vehicle is capable of being manufactured or modified to run on natural gas. Outside the U.S., numerous makes and models of vehicles are factory produced to run on natural gas as bi-fuel vehicles or in some cases as dedicated natural gas vehicles. In the U.S., however, a limited number of models of natural gas engines and vehicles have been historically available. We believe that in the near-term new heavy-duty natural gas engines and trucks will be offered by most, if not all, original equipment manufacturers. We further expect that additional models of other natural gas vehicles will continue to become available as natural gas is increasingly adopted as a vehicle fuel in the U.S.

In the U.S., there are currently a limited number of factory built natural gas passenger and light-duty vehicles. Honda offers the Civic NG, a 4-door passenger sedan; General Motors Company ("GM") offers a light-duty Chevy Express/GMC Savana cargo van; and The Vehicle Production Group has in the past, and may again in the future, offer the MV-1, a wheelchair accessible sedan that uses a Ford Motor Company ("Ford") engine and chassis. Chrysler Group, LLC and GM also offer bi-fuel pickup trucks. Bi-fuel vehicles can run on either natural gas or gasoline and have tanks for each fuel. A limited number of other dedicated (uses only natural gas fuel) and bi-fuel passenger vehicles, vans and light duty trucks are available through small volume manufacturers, such as our wholly-owned subsidiary, BAF Technologies, Inc. ("BAF"). These small volume manufacturers offer model vehicles made by major automobile manufacturers that have been modified to use natural gas and certified to meet federal and state emissions and safety standards. Several GM and Ford models are now available from these manufacturers, including the Ford Transit Connect, Ford E Series vehicles, Ford F Series trucks, and GM vehicles that include pickups and vans. We anticipate additional models through various outlets will become available in 2013. Modifications for dedicated natural gas vehicles involve removing the gasoline fuel system and replacing it with a compressed natural gas fuel storage system and reflashing the engine's computer controlled fuel management system.

There are two natural gas engines available for the over-the-road ("OTR") trucking market at this time:

8.9 liter spark-ignited engine with 250-320 horsepower and 660-1,000 lb-ft torque produced by Cummins Westport, Inc. ("CWI"), a joint venture of Cummins, Inc. and Westport Innovations, Inc. This engine is used in commercial trucks, refuse trucks and buses, and has been the backbone for natural gas trucking to date.

15 liter high pressure direct injection engine with 400-450 horsepower and 1,800 lb-ft torque produced by Westport Innovations, Inc., which requires the use of a diesel particulate filter and selective catalytic reduction with urea injection to reduce emissions in compliance with EPA 2010 standards. This engine is finding use in applications that require high horsepower, such as transporting loads in excess of the 80,000 pound U.S. federal highway standard and up steep inclines.

Every major truck original equipment manufacturer ("OEM"), including Freightliner, Navistar, International, Kenworth, Peterbilt and Volvo, offers natural gas trucks using the engines described above. Further, other vehicle OEMs offer natural gas school buses, shuttles, transit buses and street sweepers.

New Heavy Duty Truck Engines and Building America's Natural Gas Highway

Based on our experience, the natural gas engines available for the trucking market are not well suited to serve the U.S. heavy-duty OTR trucking market. We believe the preferred engine for this market is an approximately 12 to 13 liter engine that delivers up to 400 horsepower and 1,400 to 1,500 lb-ft torque. In contrast, the 8.9 liter engine delivers inadequate horsepower and torque, and the 15 liter engine is too large and expensive to efficiently transport the loads typically hauled by U.S. carriers, and has the added complication of requiring three fuels LNG, diesel and urea. We believe the lack of an engine that is well-suited for the U.S. heavy-duty OTR truck market has hampered the adoption of natural gas fuel by this market.

The first natural gas truck engine that we believe is well-suited for the U.S. heavy-duty OTR trucking market, a CWI spark-ignited 11.9 liter engine that delivers 350 - 400 horsepower and 1,400 lb-ft torque, is expected to be commercially available by the second calendar quarter of 2013. CWI has been field testing this engine since mid-2012, and we anticipate that the engine will be well-received by heavy-duty truck operators. In addition, Volvo is developing a 13 liter engine that is expected to be available in 2014, and Cummins is developing a new 15 liter spark ignited engine that it plans to sell in 2015. Major truck OEMs, including Freightliner, International, Navistar, Kenworth, Peterbilt, Autocar and Volvo, plan to offer natural gas trucks using these engines.

We anticipate the commercial roll-out of these and other natural gas engines that are well-suited for the U.S. heavy-duty OTR trucking market, together with the economic and environmental benefits of natural gas fuel, will result in increased adoption of natural gas fueled trucks by the U.S. heavy-duty OTR trucking industry. Heavy duty trucks are generally high volume users of vehicle fuel. We believe many use 20,000 diesel gallons or more per truck per year, and the lower cost of natural gas compared to diesel will result in substantial fuel savings for the operator. With over eight million heavy-duty trucks registered in the U.S., we believe this market has the potential to become our largest.

As these engines are adopted and increasing numbers of heavy-duty natural gas trucks are deployed in the U.S., natural gas fueling infrastructure must be available to serve the needs of truck operators. To meet these needs, we are building America's Natural Gas Highway, a nationwide network of LNG truck fueling stations on the interstate highway system and in major metropolitan areas. We expect America's Natural Gas Highway to initially include approximately 150 truck fueling stations, of which 70 ANGH stations were completed at the end of 2012. Of these 70 stations, seven are open and selling LNG, and the remainder are planned to open as natural gas engines that are well-suited for the trucking market (including the CWI 11.9 liter engine) become available and trucks powered by such engines are deployed in the geographic areas where the stations are located. We expect to build approximately 50 - 70 additional ANGH stations in 2013, depending upon the deployment of natural gas trucks, demand for LNG, and our ability to identify and obtain suitable locations for LNG stations, among other things. Many ANGH stations are located at Pilot Flying J Travel Centers, one of the largest truck fueling operators in the U.S., with approximately 500 truck travel centers in 43 states.

Products and Services

We sell CNG and LNG and provide operating and maintenance ("O&M"), services to our customers. For the year ended December 31, 2012, CNG and RNG (together) represented 72% and LNG represented 28% of our natural gas sales (on a gasoline gallon equivalent basis). We design and construct CNG, LNG and LCNG fueling stations and sell or lease some of those stations to our customers. We also sell RNG produced by our subsidiary Clean Energy Renewable Fuels, LLC ("CERF"), sell natural gas vehicles produced by our subsidiary BAF, provide design and engineering services for natural gas engine systems, and sell non-lubricated natural gas fueling compressors and related equipment and maintenance services through our subsidiary Clean Energy Compression Corp,

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also known as I.M.W. Industries Ltd. ("IMW"). In addition, we help our customers acquire and finance natural gas vehicles. We also generate and sell RINs and LCFS Credits.

CNG Sales. We sell CNG through fueling stations located on our customers' properties and through our network of public access fueling stations. At these CNG fueling stations, we procure natural gas from local utilities or brokers under standard, floating-rate arrangements and then compress and dispense it into our customers' vehicles. Our CNG sales are made primarily through contracts with our customers. Under these contracts, pricing is principally determined on an index-plus basis, which is calculated by adding a margin to the local index or utility price for natural gas. CNG sales based on an index-plus methodology increase or decrease as a result of an increase or decrease in the price of natural gas. We also sell a small amount of CNG under fixed-price contracts. Our customers typically are billed monthly based on the volume of CNG sold at a station. The remainder of our CNG sales are on a per fill-up basis at prices we set at the pump based on prevailing market conditions. These customers typically pay using a credit card at the station.

LNG Production and Sales. We obtain LNG from our own plants as well as through relationships with suppliers. We own and operate LNG liquefaction plants near Houston, Texas and Boron, California, which we call the Pickens Plant and the Boron Plant, respectively. The Pickens Plant has the capacity to produce 35 million gallons of LNG per year and includes tanker trailer loading facilities and a 1.0 million gallon storage tank that can hold up to 840,000 usable gallons. The Boron Plant is capable of producing 60 million gallons of LNG per year and has tanker trailer loading facilities similar to the Pickens Plant and a 1.8 million gallon storage tank that can hold up to 1.5 million usable gallons.

We expect that we will need to secure additional sources of LNG for America's Natural Gas Highway. Therefore, we plan to expand the Boron Plant to increase its production capacity to 90 million gallons of LNG per year. Further, we plan to build the GE Plants, and anticipate that such plants will be completed and commence LNG production in 2015. We expect that the GE Plants will each be initially capable of producing up to 90 million gallons of LNG per year, and they will each be designed to expand their production capability to up to 365 million gallons of LNG per year. We also believe additional LNG production plants will need to be built by our company or third parties.

We sell LNG to fleet customers, who typically own and operate their fueling stations. Increasingly, we also sell LNG to fleet and other customers at our public-access LNG stations. During 2012, we procured 44% of our LNG from third-party producers, and we produced the remainder of the LNG at the Pickens and Boron Plants. We expect to enter into additional purchase contracts with third party LNG producers. For LNG that we purchase from third parties, we have entered into, and we may enter into additional, "take or pay" contracts that require us to purchase minimum volumes of LNG at index-based rates.

We deliver LNG via our fleet of 64 tanker trailers to fueling stations, where it is stored and dispensed in liquid form into vehicles. We typically own the tanker trailers and we contract with third parties to provide tractors and drivers. Each LNG tanker trailer is capable of carrying 10,000 gallons of LNG. To optimize our distribution network, we use an automated tracking system that enables us to monitor the location of a tanker trailer at any time, as well as an automated fueling station tank-monitoring system that enables us to efficiently schedule the refilling of each station, which helps ensure that our customers have sufficient fuel to operate their fleets. We also anticipate that we will need to purchase or lease additional tanker trailers to transport LNG to ANGH stations, and that we will need to increase the number of third parties who provide us contract carrier services. We sell LNG principally through supply contracts that are priced on either a fixed-price or index-plus basis. LNG sales based on an index-plus methodology increase or decrease as a result of an increase or decrease in the price of natural gas. Our LNG contracts provide that we charge our customers periodically based on the volume of LNG supplied. We also sell LNG on a per fill-up basis at prices we set at the pump based on prevailing market conditions. These customers typically pay using a credit card at the station.

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Operation and Maintenance. We perform O&M services for CNG stations, which are either owned by us or our customers. In addition, we perform O&M services for LNG stations we own, and we perform O&M services for a small number of LNG stations owned by our customers and supplied by us. Most of the CNG and LNG stations that we maintain or supply are monitored from our centralized operations center, facilitating increased reliability and safety, as well as lower operating costs. This monitoring helps us to ensure the timely delivery of fuel and to respond rapidly to any technical difficulties that may arise. In addition, we have an automated billing system that enables us to track our customers' usage and bill them efficiently. As of December 31, 2012, we had an operations team of 109 employees, including 67 full-time employees dedicated to performing preventative maintenance and available to respond to service requests in 32 states and in Canada. In addition, we have 74 full-time employees dedicated to performing preventative maintenance on IMW's foreign installations in Bangladesh, Colombia, Peru and China.

Our Station Network. As of December 31, 2012, we owned, operated or supplied 348 fueling stations for our customers in 32 states and Canada. We owned 166 of the stations, and our customers owned the other 182 stations.

Station Construction and Engineering. Since 2008, we have built 212 natural gas fueling stations, either serving as general contractor or supervising qualified third-party contractors, for ourselves or our customers. We acquired the additional stations we own that we did not build through acquisition of assets or businesses. We use a combination of custom designed and off-the-shelf equipment to build fueling stations. Equipment for a CNG station typically consists of dryers, compressors, dispensers and storage tanks (which hold a relatively small buffer amount of compressed natural gas). Equipment for an LNG station typically consists of storage tanks that hold 5,000 to 25,000 gallons of LNG, plus related dispensing equipment.

A number of our fueling stations have separate public access areas for retail customers, which have the look, feel and dispensing rates of a traditional gasoline fueling station. Our CNG dispensers are designed to fuel up to six gasoline gallon equivalents per minute, which is comparable to a traditional gasoline fueling dispenser. Our LNG dispensers are designed to fuel up to 20 diesel gallon equivalents per minute, similar to a diesel fueling dispenser. LNG dispensing requires special training and protective clothing (gloves and safety glasses) because of the extreme low temperatures of LNG.

To enhance our station construction capabilities, in 2010, we acquired Wyoming Northstar Incorporated, ("Northstar") a leading provider of LNG and LCNG station design, construction operations and maintenance services. Northstar is also a leader in LNG and LCNG fueling system technologies, including manufacturing one of only two weights-and-measures certified LNG dispensers. Northstar is a key component of our plan to roll-out America's Natural Gas Highway.

RNG. We own a 70% interest in a RNG production facility at the McCommas Bluff landfill located in Dallas, Texas. We sell RNG produced at the facility to Shell Energy North America under a Gas Sale Agreement and, depending upon RNG production volumes, we have the ability to sell RNG produced by the facility as a vehicle fuel. We own a second RNG production facility located at a Republic Services landfill in Canton, Michigan. This facility was completed in December 2012, and we have entered into a ten-year fixed-price sale contract for the majority of the RNG that we expect the facility to produce (the effectiveness of such contract is subject to the California Energy Commission ("CEC") certifying the facility). We are building a third RNG facility at a Republic Services landfill in North Shelby, Tennessee, and we expect the facility to be operational during the first quarter of 2014. We are seeking to expand our RNG business by pursuing additional RNG production projects. We sell some of the RNG we currently produce, and expect to sell a significant amount of the RNG we produce at the facilities we are building and plan to build, through our natural gas fueling infrastructure for use as a vehicle fuel. In addition, we plan to purchase RNG from third party producers, and sell that RNG for vehicle use through our fueling infrastructure.

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Vehicle conversions. Our subsidiary, BAF, provides natural gas conversions, alternative fuel systems, application engineering, service and warranty support, and research and development for natural gas vehicles. BAF is headquartered in Dallas, Texas and is a Ford Qualified Vehicle Modifier for all Ford natural gas products. Due to the limited number of factory built natural gas passenger and light-duty vehicles, we believe it is strategically important to own a company that produces vehicles that can fuel at our natural gas stations. To further enhance the capabilities of BAF, we acquired a 100% interest in ServoTech Engineering, Inc. ("ServoTech"), a company that provides design and engineering services for natural gas engine systems. ServoTech also provides emission reduction systems for manufacturing applications.

Natural gas fueling compressors. Our IMW subsidiary manufactures and services non-lubricated natural gas fueling compressors and related equipment. IMW is headquartered near Vancouver, British Columbia, has additional manufacturing facilities near Shanghai, China, and in Ferndale, Washington, and has sales and service offices in Bangladesh, Colombia, Peru and the United States. We believe IMW gives us several strategic advantages. First, it enables us to satisfy our internal compressor needs, since compressors are the most important piece of equipment for a CNG station. As the adoption of natural gas vehicles has increased, our CNG station construction backlog has increased and our compressor requirements have increased. We believe our compressor needs will continue to grow in the future. Second, IMW enables us to provide certain customers with a "factory direct" offering. Since some customers do not want our full suite of services and simply want a station that they can own and operate, we can offer them a high quality and low cost "equipment only" solution. Third, IMW allows us to participate in the global growth of natural gas vehicle fueling. IMW has a strong reputation in the global market, and we believe IMW will benefit and participate in such growth.

Vehicle Acquisition and Finance. We offer vehicle finance services for some of our customers' purchases of natural gas vehicles or the conversion of their existing gasoline or diesel powered vehicles to operate on natural gas. We loan to certain qualifying customers a portion of, and on occasion up to 100% of, the purchase price of their natural gas vehicles. We may also lease vehicles in the future. Where appropriate, we apply for and receive state and federal incentives associated with natural gas vehicle purchases and pass these benefits through to our customers. We may also secure vehicles to place with customers or pay deposits with respect to such vehicles prior to receiving a firm order from our customers, which we may be required to purchase if our customer fails to purchase the vehicle as anticipated.

VETC. Since October 1, 2006, we have received a federal fuel tax credit ("VETC") of \$0.50 per gasoline gallon equivalent of CNG and \$0.50 per liquid gallon of LNG that we sell as vehicle fuel. Based on the service relationship with our customers, either we or our customers were able to claim the credit. The program providing for the VETC expires on December 31, 2013.

Sales of RINs and LCFS Credits. We generate LCFS Credits when we sell RNG and conventional natural gas for use as a vehicle fuel in California, and we generate RINs when we sell RNG for use as a vehicle fuel. We can sell these RINs and LCFS Credits to third parties who need the RINs and the LCFS Credits to comply with federal and state requirements. In 2012, we realized \$2.9 million in revenue through the sale of LCFS Credits. We anticipate that we will generate and sell increasing numbers of RINs and LCFS Credits as we grow our business and sell increasing amounts of CNG, LNG and RNG for use as a vehicle fuel.

Sales and Marketing

We have sales representatives in all of our major operating territories, including Los Angeles, San Francisco, San Diego, Phoenix, Boston, New York, Denver, Dallas, Atlanta, New Jersey, Pennsylvania, Seattle, New Mexico, Chicago, Ohio, Florida, Virginia, Minnesota, Kentucky, Indiana, New Hampshire, Tennessee, and Missouri in the U.S., in Toronto and Vancouver, Canada and in Bangladesh, Colombia, Peru and China. At December 31, 2012, we had 115 employees in sales and marketing, including seven employees of BAF and 18 employees of IMW. As our business grows and we enter new markets over the next several years, we intend to continue expanding our sales and marketing team, primarily by adding specialized sales experts to focus on opportunities in targeted metropolitan areas and in locations where we have existing fueling infrastructure. We market primarily through our direct sales force, attendance at trade shows and participation in industry conferences and events. Our sales and marketing group works closely with federal, state and local government agencies to educate them on the value of natural gas as a vehicle fuel and to keep abreast of proposed and newly adopted regulations that affect the industry.

Key Markets and Customers

At December 31, 2012, we had 650 fleet customers operating approximately 30,600 vehicles, including approximately 6,600 transit buses, 2,700 taxis, 2,300 shuttles, 5,200 refuse trucks and 1,400 heavy-duty trucks. We target customers in a variety of markets, such as trucking, airports, taxis, refuse, public transit and government fleets. During 2010, 2011 and 2012, approximately 30%, 21% and 33% of our revenues, respectively, were derived from contracts with governmental entities such as municipal transit fleets. We do not depend on a single customer or a few customers, the loss of which would have a material adverse effect on us.

Trucking Many shippers, manufacturers, retailers and other truck fleet operators have begun adopting natural gas fueled trucks to move their freight. Some of the national fleets piloting heavy-duty tractors with natural gas are among the largest fleets in the world including Con-way, FedEx, Frito-Lay, Ruan, Ryder, Schneider, Swift, UPS, Werner and YRC Worldwide. Interest by shippers also increased in 2012 as several Fortune 100 companies entered into discussions with their carrier base about the use, or expansion of use, of natural gas trucks in their fleets. We anticipate that the continued commercial roll-out of heavy-duty natural gas engines that are well-suited for the U.S. OTR trucking market will result in increased adoption of natural gas fueled trucks by the U.S. trucking industry. Heavy-duty trucks in the U.S. are generally high volume users of vehicle fuel. We believe many use 20,000 diesel gallons or more per truck per year, and the lower cost of natural gas compared to diesel will result in substantial fuel savings for the operator. With over eight million heavy-duty trucks registered in the U.S. market, we believe this market has the potential to become our largest. As a result, we are making a significant commitment of capital and resources to construct America's Natural Gas Highway, a network of LNG fueling stations intended to serve OTR and regional heavy-duty natural gas trucks that are responsible for America's goods movement.

Airports Many U.S. airports face emissions challenges and are under regulatory directives and political pressure to reduce pollution, particularly as part of any expansion plans. Many of these airports already have adopted various strategies to address tailpipe emissions, including rental car and hotel shuttle consolidation. In order to reduce emissions levels further, many airports require or encourage service vehicle operators to switch their fleets to natural gas, including airport delivery fleets, door-to-door and parking shuttles and taxis. To assist in this effort, airports are contracting with service providers to design, build and operate natural gas fueling stations in strategic locations on their property. Airports we serve include Albuquerque, Atlanta Hartsfield Jackson International, Austin Bergstrom International, Baltimore Washington

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International, Burbank, Cleveland Hopkins International, Dallas-Ft. Worth International, Denver International, George Bush International (Houston), Hartford, Las Vegas, Love Field (Dallas), Long Beach, LaGuardia (New York), Los Angeles International, New Orleans, Newark International, Oakland International, Ontario, Palm Springs, Philadelphia International, Phoenix Sky Harbor International, San Francisco International, Santa Ana/John Wayne, San Diego International, SeaTac International (Seattle), Tampa International, Tucson International and Will Rogers (Oklahoma City). At these airports, our representative customers include taxi and van fleets, as well as parking and car rental shuttles. We believe these are well suited customers because they use a relatively high volume of vehicle fuel and can be served by centralized fueling infrastructure.

Taxis According to the Taxi, Limousine, and Paratransit Association, there were approximately 6,300 companies operating 171,000 taxicabs in the United States in 2010. We believe that less than 2% of these vehicles are natural gas vehicles. Because taxi fleets travel many miles, use a relatively high volume of vehicle fuel and can refuel at a central location, we believe they are excellent candidates to use CNG. Natural gas vehicles provide taxi fleets a convenient way to reduce operating costs and provide a clean environment for their drivers and customers. We serve approximately 2,100 taxis in Southern California, the San Francisco Bay Area, Dallas, Houston, Las Vegas, New York City, Phoenix, Tucson and Seattle. We have also seen a significant interest in new policy initiatives at major airports across the country this past year, including the Philadelphia, Cincinnati, and Newark Airports.

Refuse Haulers According to INFORM, there are nearly 200,000 refuse trucks in the United States, consuming approximately two billion gallons of fuel per year, that collect and haul refuse and recyclables from collection points to landfills, transfer stations, waste-to-energy facilities, and material recovery facilities. Due to the desire to recognize operating savings, and to address their customers' demands to reduce emissions, refuse haulers are increasingly adopting trucks that run on CNG. We estimate that out of the approximately 8,000 new refuse collection trucks ordered during 2012, nearly 3,000 were powered by CNG fuel. Waste Management has made public its commitment that 85% of its new vehicle orders in 2013 will be natural gas vehicles. Further, Republic Services has committed that 65% of its new purchases in 2013 will be natural gas vehicles and 40% of their fleet will be CNG within five years. We serve numerous Waste Management and Republic Services sites now, and hope to expand this number in the future. In addition to Waste Management and Republic Services, we also have contracts with private waste haulers such as Blue Diamond Disposal (NJ), Burrtec (CA), Central Jersey Waste, Choice Waste (FL), CleanScapes (Seattle), Garofalo V & Sons (NY), Homewood Disposal (IL), Mission Trail (CA), Livermore Sanitation (CA), USA Recycling (CT), Peoria Disposal (IL), Progressive Waste (LA), Recology (Formerly Norcal Waste), South San Francisco Scavenger and Waste Pro (FL), among others. We also provide vehicle fueling services to municipal refuse fleets including fleets in Burbank, Dallas, Fresno, Los Angeles, Sacramento, San Antonio, and on Long Island, New York among other locations. We believe refuse companies are ideal customers because they can be served by centralized fueling infrastructure and they use a relatively high volume of fuel. We currently serve 101 hauling companies.

Transit agencies According to the American Public Transportation Association, there are over 66,200 municipal transit buses operating in the United States. In many areas, increasingly stringent emissions standards have limited the fueling options available to public transit operators. Transit agencies typically fuel at a central location and they use high volumes of fuel. As a result, transit agencies have been early adopters of natural gas vehicles, with almost 36% of all buses in the United States operating on LNG or CNG, according to the American Public Transportation Agency 2012 Public Transportation Factbook. Our representative public transit customers include Boston Metropolitan Transit Development Agency, City of Elk Grove

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(California), City of Laredo Transit (Texas), City of Montebello (California), Dallas Area Rapid Transit, Foothill Transit (California), Long Beach Transit (California), Los Angeles Metropolitan Transit Authority, Orange County Transit Authority, Phoenix Transit, Tempe Transit, Regional Transit Commission of Nevada, Regional Transit Authority (Ohio), Santa Cruz Metropolitan, Santa Monica Big Blue Bus, Stark Area Regional Transit Authority (SARTA) of Ohio and Tulsa Transit (Oklahoma).

Government fleets According to the Federal Highway Administration, or FHA, in 2010, there were over 4.6 million government fleet vehicles in operation in the United States, including those operated by federal, state and municipal entities. In California and Texas, for example, according to the FHA, there were over 636,000 and 532,000 government vehicles, respectively. As government regulations on pollution continue to become more stringent, government agencies are evaluating ways to make their fleets cleaner and run more economically. Under the federal Energy Policy Act of 1992, 75% of new light-duty vehicles purchased by federal fleet operators are required to run on alternative fuels. Our representative government fleet customers include the California Department of Transportation (Los Angeles and Orange County), State of New York, City of Denver, City and County of Los Angeles, City of San Antonio, Town of Smithtown (NY), City and County of San Francisco, City and County of Dallas and City of Phoenix.

Acquisitions

In August 2008, we acquired a 70% interest in a facility that collects, processes and sells RNG collected from a landfill in Dallas, Texas. On October 1, 2009, we completed our acquisition of BAF, and on September 7, 2010, we acquired the advanced, non-lubricated natural gas fueling compressor and related equipment manufacturing and servicing business of IMW. On December 15, 2010, we acquired Northstar, and in 2011 and 2012, we acquired the natural gas fueling infrastructure construction business of Weaver Electric, Inc., and ServoTech, respectively. In the future, we anticipate pursuing acquisitions and partnerships as we become aware of opportunities where we believe we can increase our competitive advantages, expand our product offerings, or enhance our market position.

Tax Incentives

U.S. federal and state government tax incentives and grant programs continue to be available to reduce the cost of acquiring and operating a natural gas vehicle fleet. Incentives may include funds to offset the cost of acquiring natural gas vehicles or converting vehicles to use natural gas, constructing natural gas fueling stations or selling CNG or LNG.

Grant programs

We apply for and help our fleet customers apply for federal, state and regional grant programs in states where we operate including California, Connecticut, Georgia, Idaho, Indiana, Nevada, New Jersey, New York, Ohio, Pennsylvania, and Texas. These programs provide funding for natural gas vehicle purchases and station construction.

Competition

The market for vehicular fuels is highly competitive. The biggest competition for CNG and LNG is gasoline and diesel, and many of the producers and sellers of these fuels are large entities that have significantly greater resources than we have. The vast majority of vehicles in the United States and Canada are powered by gasoline or diesel.

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A significant number of established businesses, including oil and gas companies, fuel providers, vehicle OEMs, refuse collectors, natural gas utilities, industrial gas companies and other organizations have entered or are planning to enter the market for natural gas vehicle fuels. Many of these current and potential competitors have substantially greater financial, marketing, research and other resources than we have. We also compete with suppliers of other alternative vehicle fuels, including ethanol, biodiesel and hydrogen fuels, as well as providers of hybrid and electric vehicles. Some of our current principal competitors in the market for natural gas vehicle fuels include:

Intergrys, a provider of CNG fuel infrastructure and fueling services through its subsidiaries Trillium USA and Pinnacle CNG, which it acquired in 2011;

Gas producers Encana, Chesapeake and Apache, who are investing in CNG fueling infrastructure;

Mansfield Oil, a diesel fuel provider to fleets that recently acquired a California-based fuel infrastructure company;

TruStar Energy (formerly Vocational Energy), a fueling infrastructure company focused on the refuse market;

Shell Oil Products U.S., which has announced plans to construct and operate a network of natural gas fueling stations at TravelCenters of America locations in the U.S.;

Blu LNG, a company that owns LNG fueling stations in Utah and has announced plans to develop a national network of LNG fueling stations; and

Applied LNG Technology and Prometheus Energy, each of which distributes LNG in the western United States.

Several natural gas utilities, including Pacific Gas and Electric, operate public access CNG stations that compete with our stations. In December 2012, the California Public Utilities Commission approved a compression services tariff application by the Southern California Gas Company, allowing the utility to offer natural gas fueling infrastructure construction services that compete with our offerings. In addition, utilities in several states, including Michigan, Illinois, New Jersey, North Carolina, Missouri, and Georgia, have made efforts to invest in the market for natural gas vehicle fuels.

We sell CNG fueling equipment through our IMW subsidiary. The market for CNG fueling equipment is highly competitive with several competitors selling in multiple countries. We believe our competitors for CNG fueling equipment include Aspro, GNC Galileo, GE, SAFE, ANGI Energy Systems, Inc., and Atlas Copco. Numerous other equipment or compressor manufacturing companies may also enter the market in the future. We also compete with many third parties for the rights to develop RNG production facilities, as well as for customers to purchase the RNG we produce.

We own, operate or supply 348 CNG and LNG fueling stations. We operate 281 CNG fueling stations, which we estimate is approximately four times the number of CNG fueling stations operated by our next largest competitor. We believe we are the only company in the U. S. or Canada that provides both CNG and LNG on a significant scale, and we operate in more states and provinces than any of our competitors. We expect, however, competition to intensify in the near term as the use of natural gas vehicles and the demand for natural gas vehicle fuel and related equipment increases. Increased competition will lead to amplified pricing pressure, reduced operating margins and fewer expansion opportunities.

Background on Clean Air Regulation

