

FUEL  
RECOVERY

# DITCH THE DOE

*Market-based fuel reimbursements save shippers millions in diesel fuel costs*

**Breakthrough<sup>®</sup>**



# YOUR FUEL SURCHARGE

## IS COSTING YOU

Historically, the transportation industry has lacked an accurate way to calculate how much fuel is used to get shippers' goods to market. Most shippers rely on a fuel surcharge schedule and the Department of Energy's Diesel Fuel Price Index to determine how much the fuel reimbursement will cost. But using this antiquated process leads to distorted calculations in your transportation costs.

Shippers can eliminate these distortions by implementing a market-based fuel reimbursement program. This strategy creates visibility into your transportation actual fuel costs down to the lane level, helping you reduce the cost, consumption, and emissions associated with fuel in your supply chain.



PRICE



TIME



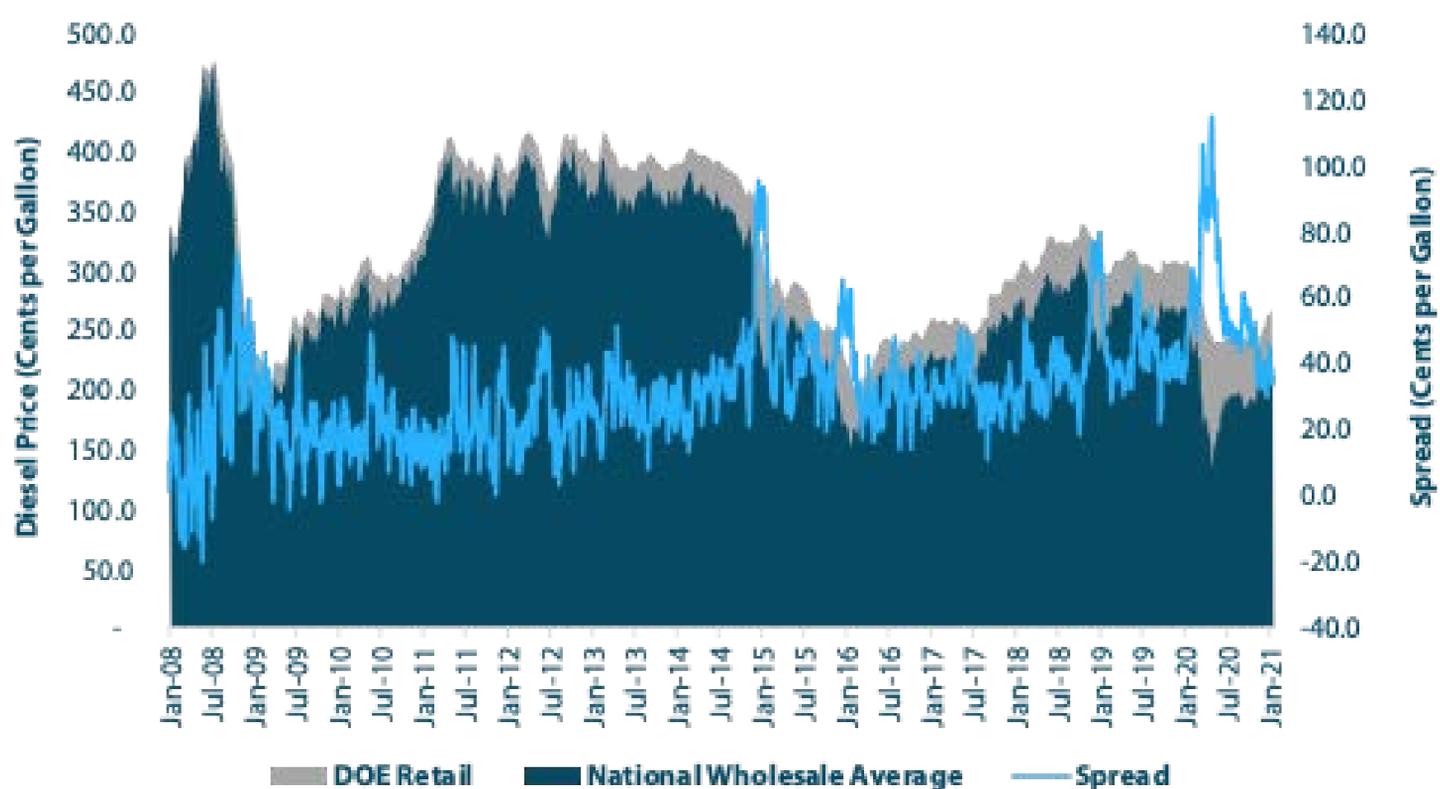
TAX



GEOGRAPHY

# PRICE

Fuel is a pass-through expense that enables a carrier to move a shipper's goods. With this in mind, shippers should reimburse carriers at the same price point at which their carriers procure fuel. And while the DOE provides a weekly retail index for diesel prices, averaged across the country, most well-managed carriers procure fuel at wholesale pricing.



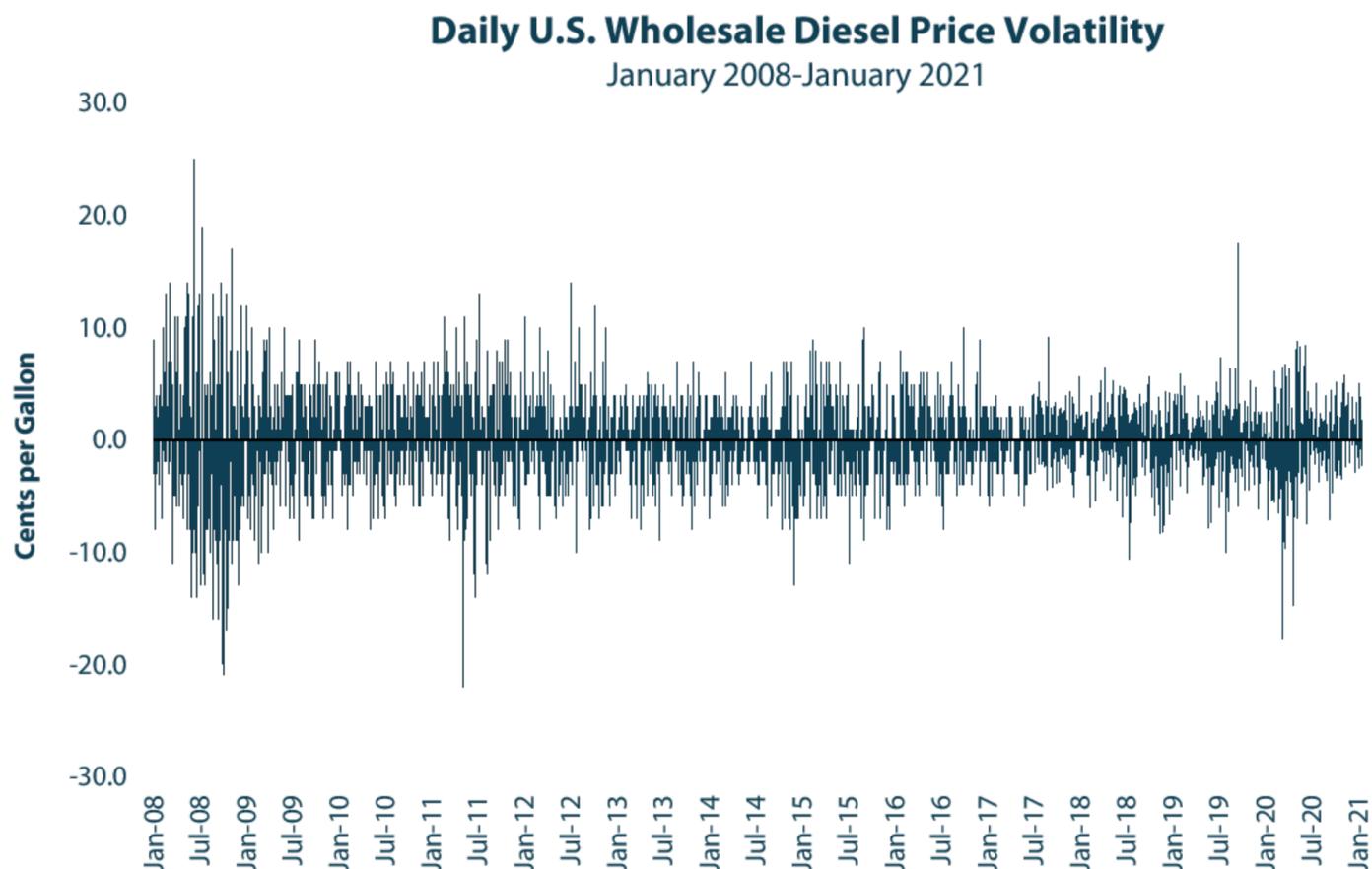
The chart above shows how these misaligned price points contribute to significant on-cost in a shipper's network.

The navy portion shows the price carriers pay at the pump, and the gray is the incrementally higher amount that shippers use to calculate their reimbursements. The light blue line quantifies this cost, showing how the daily differential, or spread, between wholesale and retail costs has reached over a dollar per gallon, and typically settles around 30-40 cents per gallon.

Implementing a market-based program will allow you to remove price distortion by moving from a small, retail-based sampling of fuel prices published by the DOE to a more comprehensively calculated wholesale price that is reflective of how your carriers purchase fuel

# TIME

Diesel prices fluctuate daily and are one of the most volatile cost inputs affecting the transportation industry. But the DOE publishes its average diesel price once per week. As shippers return to this number to calculate their fuel reimbursements, they miss out on drastic price swings that occur throughout the week, resulting in significant overpayment.

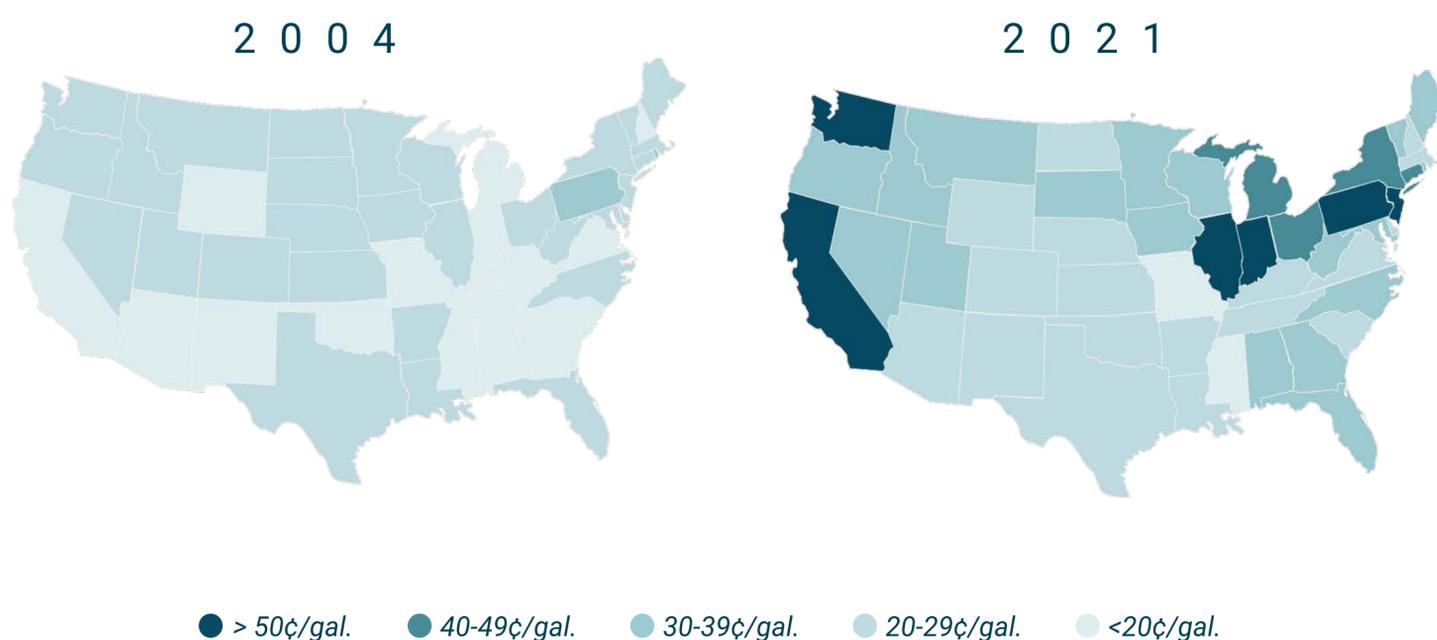


The chart above shows the magnitude of price changes that take place in the wholesale diesel market every day, between releases of the DOE's weekly retail diesel fuel price index. As indicated, prices can change dramatically every day, and 2020 illustrated that to a heightened extent. A weekly index is fundamentally incapable of accounting for these daily fluctuations, and as a result, shippers are leaving large sums of money on the table.

Shippers using a market-based approach accurately account for these daily fluctuations, ensuring they reimburse for the appropriate price according to their specific shipment dates.

# TAX

State over-the-road tax differentials can create discrepancies of more than 60¢ per gallon between different parts of the U.S. Carriers pay for taxes based on where they consume gallons, not where they purchase them. When shippers reimburse on a national level, the discrepancies missed at the lane level end up costing them.

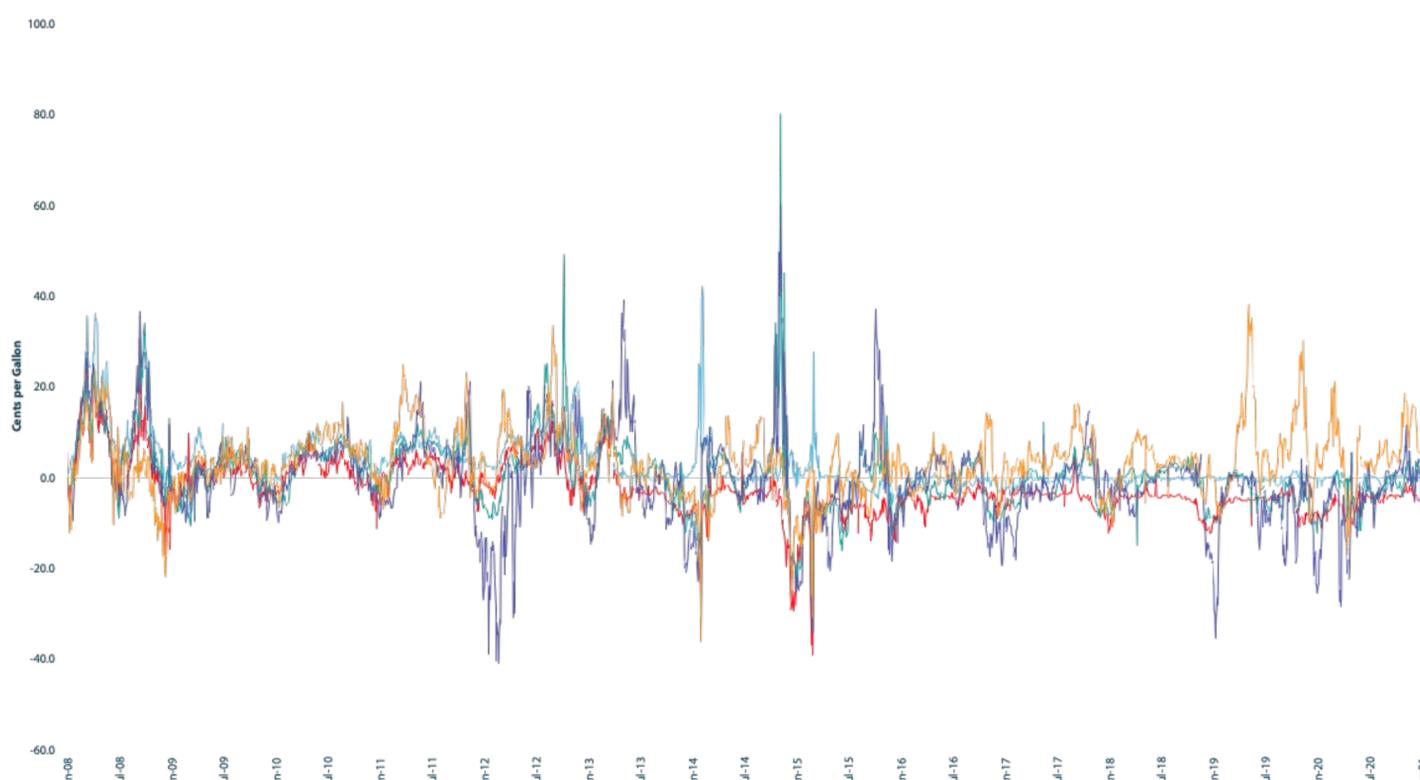


Furthermore, these tax values change regularly, as state laws are updated. The maps above indicate the value of each state's diesel tax in 2004 and in 2020, showing the extent that fuel prices are influenced by tax rates across the country.

Shippers should pay the exact amount incurred by the movement of their goods. Taking a market-based approach accurately accounts for taxes based on the miles a shipper's freight travels through individual states so that all parties are fairly compensated.

# GEOGRAPHY

The price of diesel fuel varies across the country. The DOE Index's single price for the entire country doesn't reflect the reality of fuel procurement as diesel prices vary at every station along every route across the country. Even before taxes and final distribution costs are applied, diesel commodity costs can vary substantially from one local market to the next.



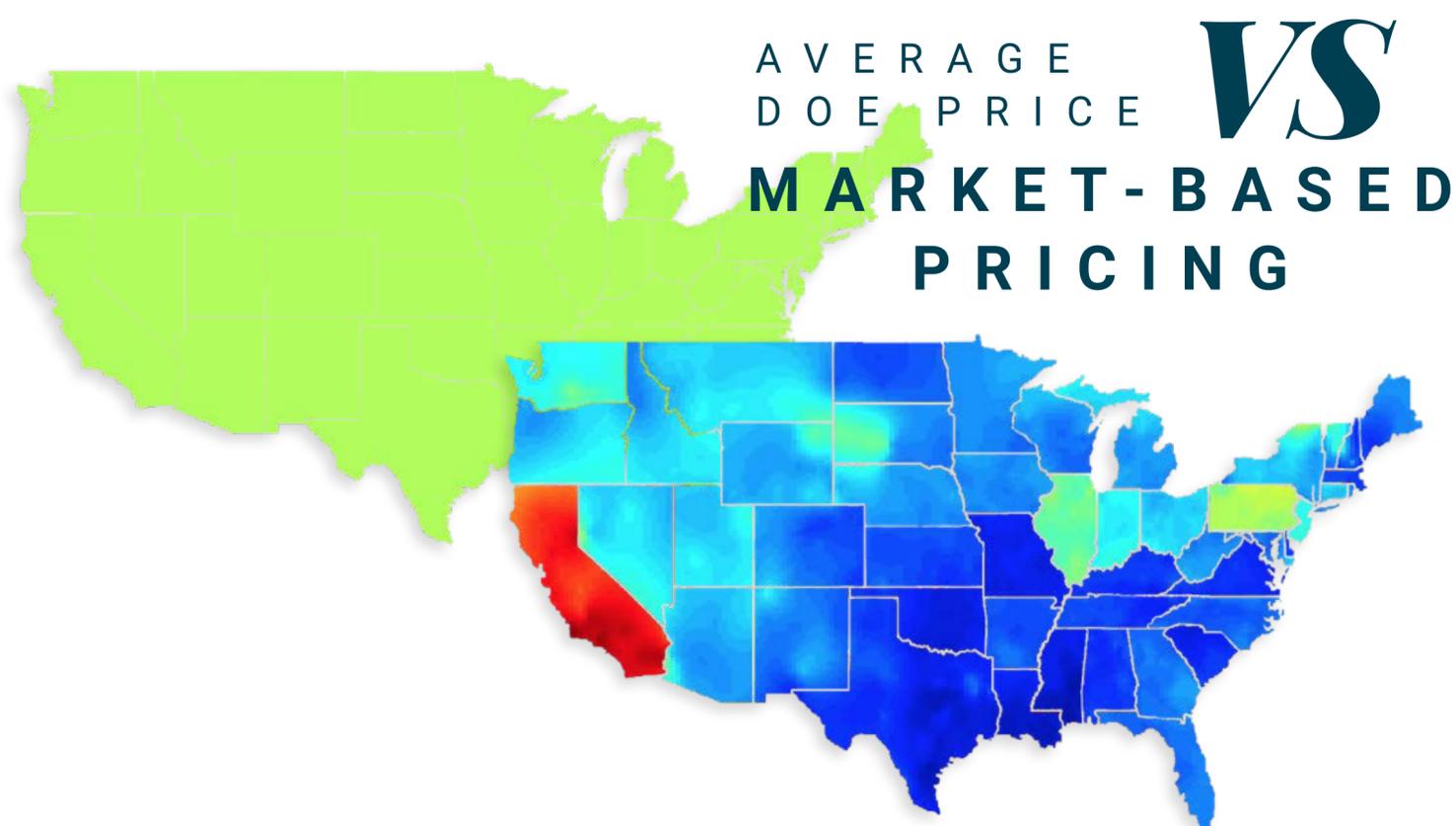
The chart above shows price differentials in each of the five major U.S. spot markets where diesel is traded as a commodity. Understanding the drivers and changes in local commodity prices is crucial to creating a reimbursement program that reflects the actual fuel cost incurred by carriers.

Common drivers of regional volatility include refinery maintenance mishaps and weather events. Additionally, a shipper's cost exposure relies heavily on their geographic footprint. A market-based fuel reimbursement strategy accounts for the difference in regional pricing, removing the geographic distortion in a single price point approach to reimbursement.

# DISCOVER THE VALUE OF A MARKET-BASED APPROACH WITH FUEL RECOVERY

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A market-based approach has clear advantages over the distorted DOE Index that shippers have historically used to calculate a fuel surcharge. With Breakthrough's Fuel Recovery solution, shippers can be confident they are paying the true cost of fuel on every movement, every day.



In 2020, shippers using fuel Recovery achieved a 46% reduction in over-the-road transportation fuel spend. And although the fuel market in 2020 was exceptionally volatile, Fuel Recovery's value endures the test of time. Over the last 5 years, the national average spread between retail and wholesale price points was 41 cents per gallon.

But the value of a market-based approach extends beyond the bottom-line. Fuel Recovery clients leveraged more accurate fuel consumption metrics and transparency into their baseline program realities to collectively eliminate 15 million gallons of diesel fuel from their supply chains and reducing 153,000+ MT of emissions from their over-the-road transportation networks through efficiency gains in 2020. This is the equivalent of taking over 990 heavy-duty trucks off the road annually.

# FUEL RECOVERY CLIENTS BENEFIT FROM

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## TRANSPARENT STRATEGIES

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Get direct line-of-sight into fair-market fuel reimbursements based on actual movements to ensure both shippers and carriers are made whole.

## REDUCED COSTS

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The accuracy created by market-based fuel reimbursements reduces transportation costs by 20% on average compared to shippers' previous fuel programs.

## ACCURATE REPORTING

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Clear visibility to your network's true baseline fuel consumption creates a clear path to facilitate emissions reduction and network optimization initiatives.

**TAKE THE FIRST STEP IN MANAGING YOUR TRANSPORTATION ENERGY SPEND WITH A MARKET-BASED APPROACH.**

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## ABOUT BREAKTHROUGH

Breakthrough is a strategic transportation partner empowering shippers with data, technology, and market knowledge. With our services, shippers make data-driven network decisions that reduce cost, create fair partnerships, and improve transportation network efficiency and sustainability.



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