

Transcript for #78. Hightowers Petroleum: On the Forefront of the Energy Transition

Guest Stephen L. Hightower, President & CEO, Hightowers Petroleum Co.

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Introduction (00:01):

You're listening to Fueling the Future of Transport, hosted by Tammy Klein, the founder and CEO of Transport Energy Strategies. We'll talk all about the fuels and energy it takes to keep the world moving forward.

Tammy Klein (00:17):

Hi, everyone. Welcome to the show. Today, I'm so pleased to have with me Steve Hightower. Steve is president and CEO of Hightowers Petroleum. It is a multimillion-dollar enterprise consisting of five national and international businesses. Steve is a self-made, and I mean self-made entrepreneur in the business since 1979 and he grew Hightowers Petroleum into the business that it is today. It's Ohio-based. He is a wholesale fuel supply company and he has built it into an international enterprise. And how I first met Steve is he is a member along with me as Chair of the Fuels Institute's EV Council. So not only is Hightowers involved in petroleum, but it's involved across the fuel chain in electric vehicles and we're going to talk a little bit about that today. Steve, welcome to the program.

Steve Hightower (01:14):

Well, thank you. Glad to be here.

Tammy Klein (01:16):

So let's get into it. For the listeners who may not be familiar can you tell us a little bit more about your background and Hightowers Petroleum? It's absolutely fascinating to me. I mean, it's not just petroleum. Like I said in the beginning. You're doing a little bit of everything from charging, energy efficiency, crude oil, LNG trading, you name it, you're doing it. So tell us a little bit about it.

Steve Hightower (01:42):

Well, starting in probably 1981 is when I got my first petroleum contract, and that was with the state of Ohio. Prior to that, I grew up in the janitorial business, as many of my listeners know. And in that particular business is where I really got my business skills and negotiating skills and a lot of things that were just baseline. But in 1981, having that first opportunity to actually bid on a fuel contract with the state of Ohio that contract was a set-aside which BP had had the contract for like 32 years. At that particular time they did not want to participate with diverse businesses at that level. And I had a gentleman out of Cincinnati, Don Lichens, step up and quote me on that particular contract. And so my first petroleum contract was the entire state of Ohio.

(02:40):

Well, I was transactional. I knew how to go get a supplier, knew how to pay my bills and invoice and so on and so forth. And so was able to actually perform on the contract. But what was most important is turning it into a business. And I took that opportunity to then go out and actually negotiate a few trucks which we purchased from BP, ironically or not. and then from there, we just got one contract at a time working with highway contractors, working with casino river boats was coming in at that particular time in Indiana. And, those are the kind of things that gave me my opportunity to learn the industry. And

that's why a lot of people talk about these programs and what are they good for? Well, they're good for giving you an opportunity to learn the industry, get into industry in a somewhat sheltered position.

(03:42):

But when you start growing the business and actually get into the industry, that's when you actually become a business. And that's something that I always take to heart. I never wanted just one of anything. So we didn't have just one supplier, and I just didn't want one contract. We wanted to go out and grow the business. And from 1984 moving forward, I just continued to get one customer at a time, taking care of that customer. and many of the customers, including the state of Ohio, I have actually bid more and won - year after year - sometimes on a five year basis. They've been my customer even to this day. So I, I pride myself in doing a good job and doing what I say performing. When things are very, very difficult, whether you're always making money or not making money, you have to keep your commitments, and that's what allows you to continue to have customers for a long period of time.

Tammy Klein (04:48):

So you're one of the leading, largest companies in Ohio, and you're a major fuel supplier in the midst of an energy transition, arguably. But we're talking a lot more about decarbonizing here in the US. It's going on around the world. So you've built this business, you've built it from scratch, you've built it one contract at a time. Hoofing it, I would imagine as a fellow entrepreneur, right? It's one contract, one customer, one client at a time. Now we're in an energy transition and we're talking a lot about decarbonization. So how do you balance this and prepare and how do you see as a CEO, the fuel space evolving in the US over the coming years?

Steve Hightower (05:40):

Well, we're in somewhat of a unique position because our customer base, as we've developed it as a national distributor in working primarily with corporate America, Fortune 500, Fortune 100 companies. We're very involved with the automotive industry. General Motors as an example, we do their initial fills, which means that every car that comes off of a GM assembly plant gets five gallons worth of fuel. That fuel is provided by Hightowers Petroleum Company. That's the same way with Honda as well as Nissan, we do those initial fills. And even with Ford, we work in their test track as well as others testing facilities, understanding what your customer is moving towards, i.e. cleaner fuels. So we're looking at renewables that we've brought into our system, and we've got like a R-100, which is a renewable diesel that act exactly - it's 100% renewable - but it acts with the same principles and properties of diesel fuel. So it even have a -15 pour point, which means that you can hardly find any biofuel that does not begin to cloud and freeze at 32 degrees. So this actually goes to a -15, which means that it's an exceptional product and 100% renewable. Moving on from that, and then again, listening to what our customers are, where they're going to and what they're looking for you go beyond that and now you're talking about EV and, well, I had plants being shut down and converting to EV and I have to look at now those vehicles that they're building are now basically using a different fuel. And that fuel just happens to be electricity. So either you're going to be the last horse and buggy on the street or you're going to get yourself a Model T, they get on with it and find your customer in the market where it's going, not trying to catch up once it's done.

(07:45):

And so we put together Hightowers EV Solutions, which is a turnkey program that offers everything from engineering, design, permit pulling, the technology as well as installation. And then subsequently being able to maintain those charging facilities across the country. And actually globally, we have that capability. So we move very aggressively into that market, not leaving behind the market that we have, of course, making sure that we take care of the customers that we do have on the normal liquid fuel side. We have a couple hundred customers throughout the US and they demand every day they have to have their fuel. You know, FedEx has to run when you go to a Kroger store and when you need to fill up, the fuel has to be there. Those are the kind of customers that we service. Really, it makes a difference whether or not you're there or not. It's not a maybe, it's a must. And so the level of responsibility that's involved in this type of industry and we call it a critical business, it demands performance every day.

Tammy Klein (09:02):

So what you're saying basically is, it's kind of like President Obama's "all-out, all of the above" for the customers that want petroleum product. They get a petroleum product for the customers that want a biofuel product, they get a biofuel product for the customers that want charging. You're prepared to do that.

Steve Hightower (09:18):

That is correct. But it's all in the energy space And, that's one of the things that I tell a lot of people. Well, we're not selling food. We're not selling chairs and furniture. We're not selling steel. We sell energy. And we try to become deep in that space by bringing on things that complement our existing offering in the same space of energy.

Tammy Klein (09:44):

So tell me a little bit more about the EV charging business. How is that going and growing so far? How are customers responding to that? Do you see a call for more and more charging and you're out there kind of competing with the big guys, too?

Steve Hightower (10:06):

Well, actually, we're in the ecosystem. And the ecosystem, just like in a petroleum business, is somewhat convoluted. and you have to work well with the industry. And it's...I'll first use the petroleum industry as an example where BP, Exxon, and Shell compete every day, but then at the same time, they buy from each other every day. So they're competitors as well as they do business with each other on a daily basis. Well, that's the same in the petroleum business. Well, now you fast forward that into electric vehicles and electric charging stations. Well, we're all in the same room together. We're learning together, we're working together in the sandbox and that ecosystem...fortunately we were able to get involved about two years ago...and you tend to find the same people that are in the room as you go around the country to these conferences.

Tammy Klein (11:04):

And then that's kind of true.

Steve Hightower (11:06):

Those become your relationships. those become your suppliers. So today, when you say that you have large competition, that is absolutely true. We're one of those large competitors and I say we are one of those because in our supply chain when we look at the make-ready, we have our own engineering firm HP Energy that can actually work with the utilities that actually do the make ready which means that is there, is there enough power in your geographic area in order to do this project that you, Mr. Customer, want to perform? Then once we find that out, then we look go into the inside of the facility and we do assessments as to design and actually design where that particular charging station might go in a case of say, let's look at a last mile carrier such as a UPS or FedEx.

(12:07):

Well, they may want something inside that's hanging from the roof-rafters that when they back their vehicles up in into those that they could just pull down. Whereas if you're looking at a Kroger's or a retail store, they want a standalone right there. So if you're in the country and you don't have power, maybe you need solar. So, you know there are different technologies, and we have about seven different technologies that we work with. All of them are global. All of them are very, very replicable. and we actually depending on the customer's needs, geographic location, the conditions of the marketplace, as well as their facilities provide them options with the necessary software and so on and so forth, that will allow them to make the best decision. Then after that, then the permit pulling and actually installing the equipment.

(13:10):

And then from that, after that has been done, the ongoing maintenance, that is what Hightowers EV Solutions, that's what we do and we do all of that in a turn-key basis. And so we came to the market with people like Black & Veatch, some of our engineering, because when we look at global companies, we would like to be able to offer them a global solution. Like right now, if you've got plants all over the world, we have in our supply chain that has capability of performing at that level on an instant, all of our technologies are US-made, some of them are global as well, and they're big boys. So then our contractors all over the country, which we've got a footprint of contractors. Some are union in certain geographic locations - Chicago, Detroit, New York but then in other areas, non-union. So we've got contractors that will cover the entire country where we have project managers that manage those particular units throughout the country. So the way we put together our solution is to be that one-stop-shop for a corporation that doesn't have to buy and do all of those various different aspects of installing a charger, but have one company that manages the entire footprint with sizable, very credible suppliers, contractors, technology, so on and so forth, best of the best because we, we have that optionality.

Tammy Klein (14:53):

So how do you see on a larger scale from the 50,000 foot view, how do you see both the EV market and charging evolving over the next 10 years, particularly where you sit in the business?

Steve Hightower (15:13):

Well, if you start today, unfortunately the only money in the charging stations are those that's actually installing them with very few exceptions geographically in the country, maybe in California where the big experiment first started with the Volkswagen lawsuit, monies to actually have to put alternative technologies in place. So they've been doing it for a while and so there's a lot more EV vehicles in California. But you look at the rest of the country a retailer that has a retail fueling station, there's not enough traffic coming into that station to warrant to make that investment of having EV charging station today. And so therefore, it's a risk on how much do we want to spend, how many chargers do we want

to put in there? Knowing that you may only get one or two a day in your geographic market it just doesn't pay in their model as you can see their model, they get the best corners, they get the most traffic and, and they want cars in there all the time.

(16:28):

So they can't see that investment in a retail spot. You look at the companies that's actually making those investments. It is the FedEx's, it is the UPS's, it's some of the major corporations that have large fleets, they've ordered 500 to a 1,000 vehicles that will be coming over the next year. So they have to put infrastructure in again. That's a cost, it's an investment. There's no return on that investment at this particular time. So, those that are actually putting in the infrastructure that own those properties are very at high risk in terms of return on investment. And so that's why the government funding that is being put in place to make this happen is really the only way that it would happen in terms of the infrastructure being rolled out in this entire country. So the dichotomy in terms of how do you make money, you know, is this going to be a viable business, particularly in the retail stores they're just not really sure about that yet.

Tammy Klein (17:39):

Oh, yeah. It's back and forth.

Steve Hightower (17:40):

Yeah. They're very slow to come to the market because the market has not matured such that they can get a return and why just have money out there sitting? And so that's the thought process of many retail outlets today.

Tammy Klein (17:56):

So what are the biggest opportunity? So your company on the EV charging side is doing everything from pulling the permits to working with the utilities, to actually putting the steel, if you will, in the ground to maintaining them. So now you have a lot of experience from top to bottom on charging. So what are the biggest opportunities and challenges, in your opinion, as we go about developing this nationwide infrastructure to support EV scale-up from your experience and where you sit?

Steve Hightower (18:35):

Well, the biggest challenge is the evolution of technology and technology is rapidly changing. As you actually put in the charging station today there's going to be totally different options five years from now. Certain things are going to be better, the battery storage will be better. There's a lot, and even how you charge is going to become different. As an example if you've got a cell phone, you have these little things that you can just set to cell phone on and it actually charges without actually being plugged in. Well, you can actually put that in asphalt or concrete and just actually have your vehicle roll on top of it and actually charge while you're sitting there at a stoplight or someplace like a parking lot. So, is the fact that from a software standpoint, we offer open infrastructure with cybersecurity at its highest dimension to be able to take on new information as technology evolves.

(19:46):

And you don't necessarily have to always just change your entire infrastructure in terms of your technology because it has the ability to grow. Some companies have a closed infrastructure cap in their technology, which means that other people can't talk to it, but also means that it does not have that ability to grow as the market grows. So we are always looking at how do you future-proof whatever's

technology or whatever solution that you come up with how can we put it in a manner in which it can grow with as technology grows? So that's very important.

Tammy Klein (20:28):

So, last question. Fun question. Not that the other ones weren't fun. What excites you most about this space, the fuel space, Petroleum, electric vehicle charging infrastructure, all of it? What excites you most about this space and why?

Steve Hightower (20:48):

Well we've been in...I've been in business all my life, literally. And the one thing about this space is that regardless of what the cost is, it's a must. You know, our customers have to have fuel every day, whether they're state patrol, whether it's General Motors or Kroger's or Duke Energy. They use fuel every day. And so as a price goes up to \$5 people scream but hurry up and get my fuel. To me, it's back down to \$2. They're happy to see me...

Tammy Klein (21:26):

Places to go, people to see...

Steve Hightower (21:28):

Regardless. You know, you gotta be there, one way or the other. So, it's one of those businesses that again, regardless of the market conditions and the cost of its, not a maybe, it's not like I might go to the retail store today and I might not. You have to have it every day.

Tammy Klein (21:49):

It's a must, Steve. It's a must. You gotta get where you gotta go, right?

Steve Hightower (21:53):

That's right and that's a consistent ratable-type business.

Tammy Klein (21:58):

Well, Steve, it was great to have you on the show and to talk with you a little bit about what Hightowers is doing and your views on some of these issues. I mean, I just think it's kind of an amazing space to play in and grow, right? I mean, LNG ,efficiency, crude oil, petroleum charging, renewables.

Steve Hightower (22:19):

Understand, one of the things that we did not talk about is the upstream. That's what's next for Hightowers. While we obviously have to service the customers that we have in the downstream and that's delivered business to end users. The upstream is more the trading of the crude oil, LNG, which is a global activity. And that is something that I've been working on for the last four years that is now coming to fruition and we're very excited about some of the things that we have already established in that global marketplace from Saudi Arabia to Trinidad and Tobago to Morocco to China. And you know, that's a whole new exciting frontier for us that you have to be very careful, very cautious about it, but very deliberate and so thus far it is working out very well for us.

Tammy Klein (23:23):

Well, that's great, Steve. Thanks so much for being on the show. It was a pleasure to have you. Hope you come back as things continue to develop, and it's great to be with you on the EV Council.

Steve Hightower (23:33):

Oh, thank you very much. And I appreciate the opportunity.

Introduction (23:41):

You've been listening to Fueling the Future of Transport. This show is hosted and edited by Tammy Klein, produced by Carolyn Schnare and engineered by Alexander Nikolic. To hear more great episodes of this show, learn more and sign up for a free biweekly newsletter, visit transportenergystrategies.com.