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Valero Energy Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line, if I am pronouncing it correctly, Erik Mielke.

Erik Mielke - Bank of America/Merrill Lynch

Yes Erik Mielke from Merrill Lynch. I have two questions if I may. One is I guess its time the question to ask if you can give us an update on what you're seeing on demand for brief casting I guess also for diesel in the current environment.

And my second question relates to the commentary you had in the press release today of around different policy initiatives in D.C. If you can elaborate a little bit on what you expect to see come out of D.C. and what it might mean for your business I think particularly about cap and trade and other similar initiatives?

Joe Gorder

Well on gasoline demand, we realize it's weak. It's 2.5% from the same period last year which we saw, this demand is also weak, much weaker than gasoline and our own network though we've seen gasoline demand on retail operations actually increased. It's up 1% so in our markets we think it's with that (ph).

Erik Mielke - Bank of America/Merrill Lynch

What's the rate of change on the deficit side? Is it getting worse or is it starting to slowdown?

Joe Gorder

Well, it hasn't got any better. The story in it but of course is the export volumes and we continue to have an open arm Europe which we're taking advantage of. We're also seeing increased demand in South America. The winter's approaching there and then some of the traditional sources of supply just aren't available. So export volume is still strong, domestic volumes are weak.

Mike Ciskowski

I might add on our retail network. We're up 1% on gasoline but on distillate we're down about 10%. So, on an average when you weigh that we're pretty much flat for the year, of course this is the first quarter. Distillates or the diesel is only about 10% of our network sales volume. So we're flat.

Bill Klesse

On the Washington initiatives I think that Kim Bowers, who is our Executive Vice President and in-charge of government relations, but just keep in mind that we have and we're still auditing these numbers of about 36 million metric tones of CO2 emissions as she speaks.

Kim Bowers

Thanks Bill. Yes we're reviewing the Waxman Bill but there still so many details to work out that we haven't evaluated the impact. What they trying to chose credits whether they're going to be allocated or auctioned of all the details still need to be worked out with the Waxman Bill. So we're watching it very carefully, but still think and we still think that there are some unintended consequences that will result from this, pushing it's away from foreign crude oil to foreign products coming in and unfairly it's giving advantage to foreign competition over domestic competition here?

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