



Basics of Renewable Diesel

March 2020



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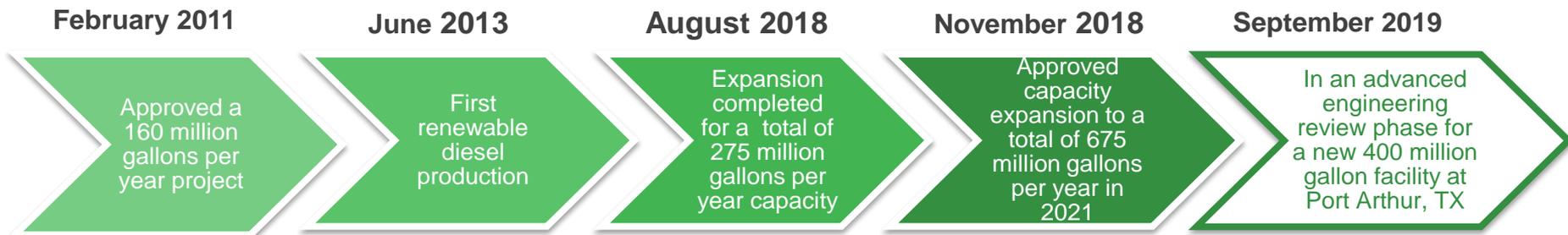
Diamond Green Diesel Joint Venture



- Darling (NYSE: DAR) collects and transforms all aspects of animal by-product streams into useable and specialty ingredients
- Darling processes ~10% of the world's animal by-products
- Operations in over 200 locations on five continents



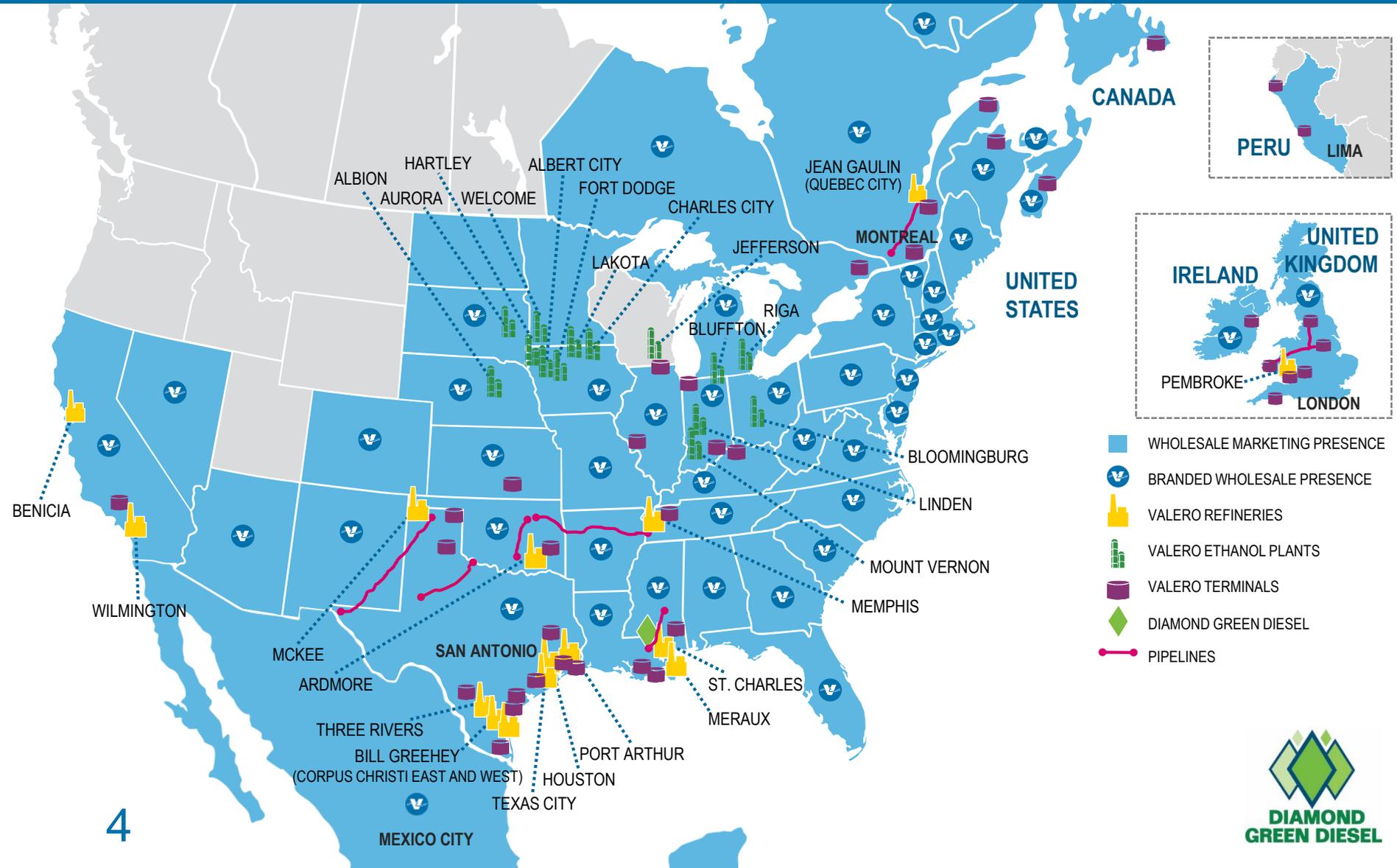
- Valero (NYSE: VLO) is an international manufacturer and marketer of transportation fuels and petrochemical products
- 15 refineries with a combined throughput capacity of ~3.2 million barrels per day
- 14 ethanol plants with a combined production capacity of 1.73 billion gallons per year



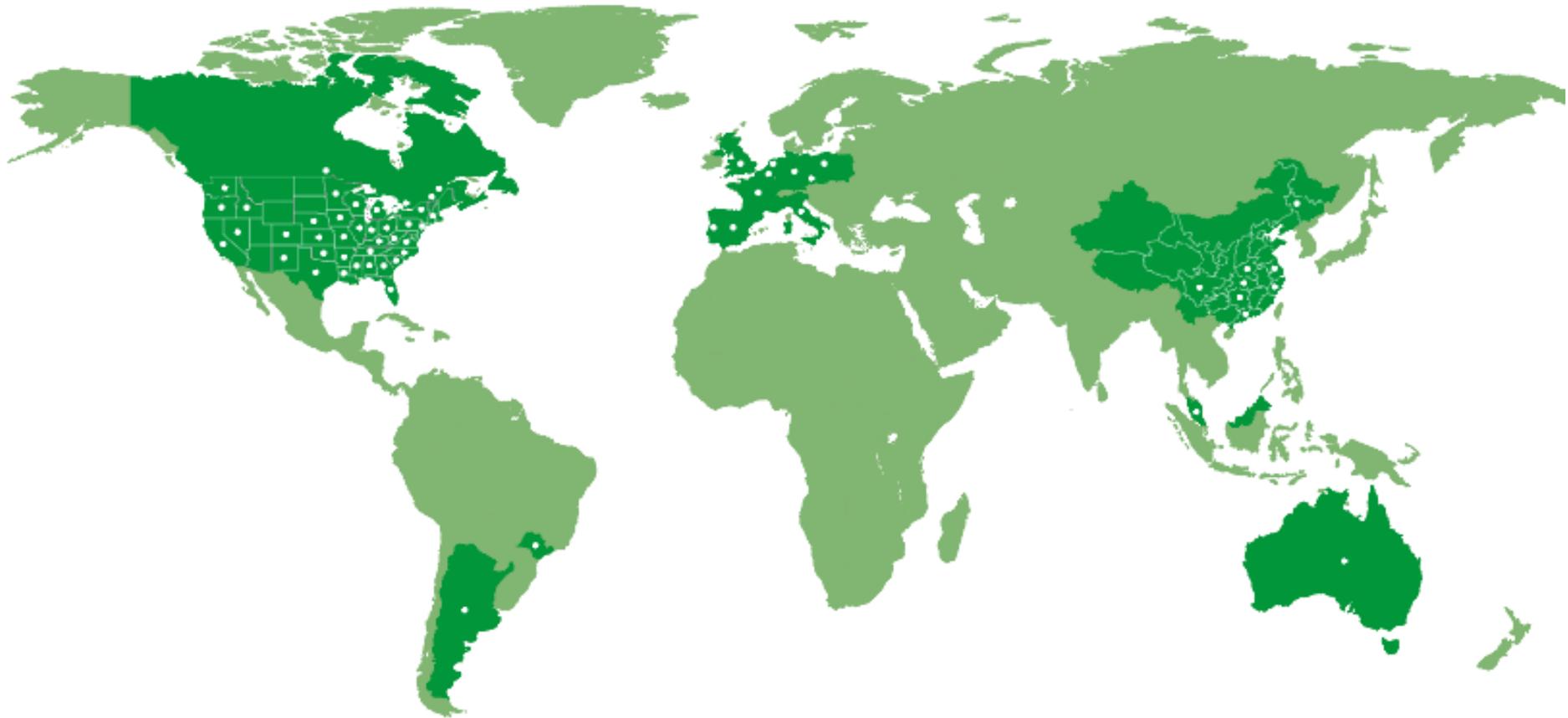
Diamond Green Diesel is North America's largest renewable diesel plant, located adjacent to Valero's St. Charles, LA refinery.



Valero is the Largest Renewables Fuels Producer in North America



Darling Ingredients is the World's Largest Independent Processor of Animal By-Products



135+ years in the business
200+ locations across 15 countries in 5 continents

Securing the Feedstock at Darling Processing Plants

Used Cooking Oil

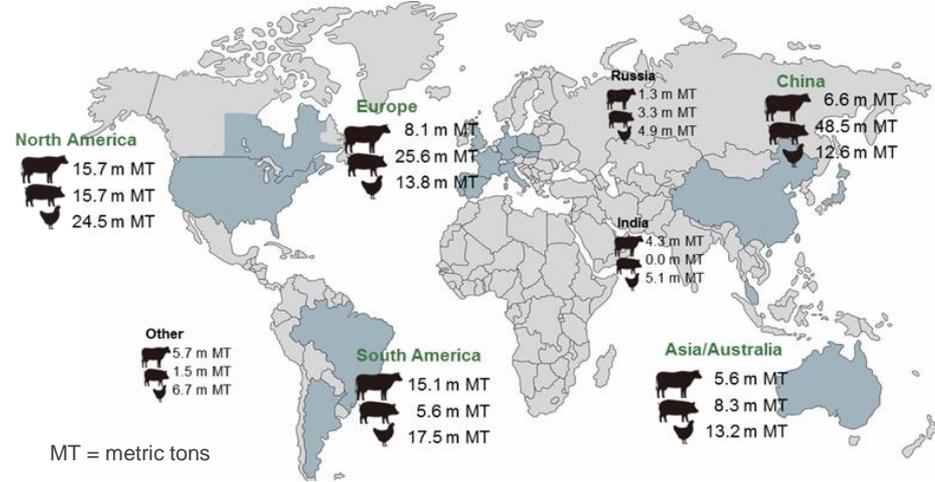


- 2.3 billion pounds of used cooking oil (UCO) is generated in the U.S.

~93% of Darling's UCO goes to biofuel

Sources: LMC International 2019, National Renderers Association and USDA

Recycled Animal Fats



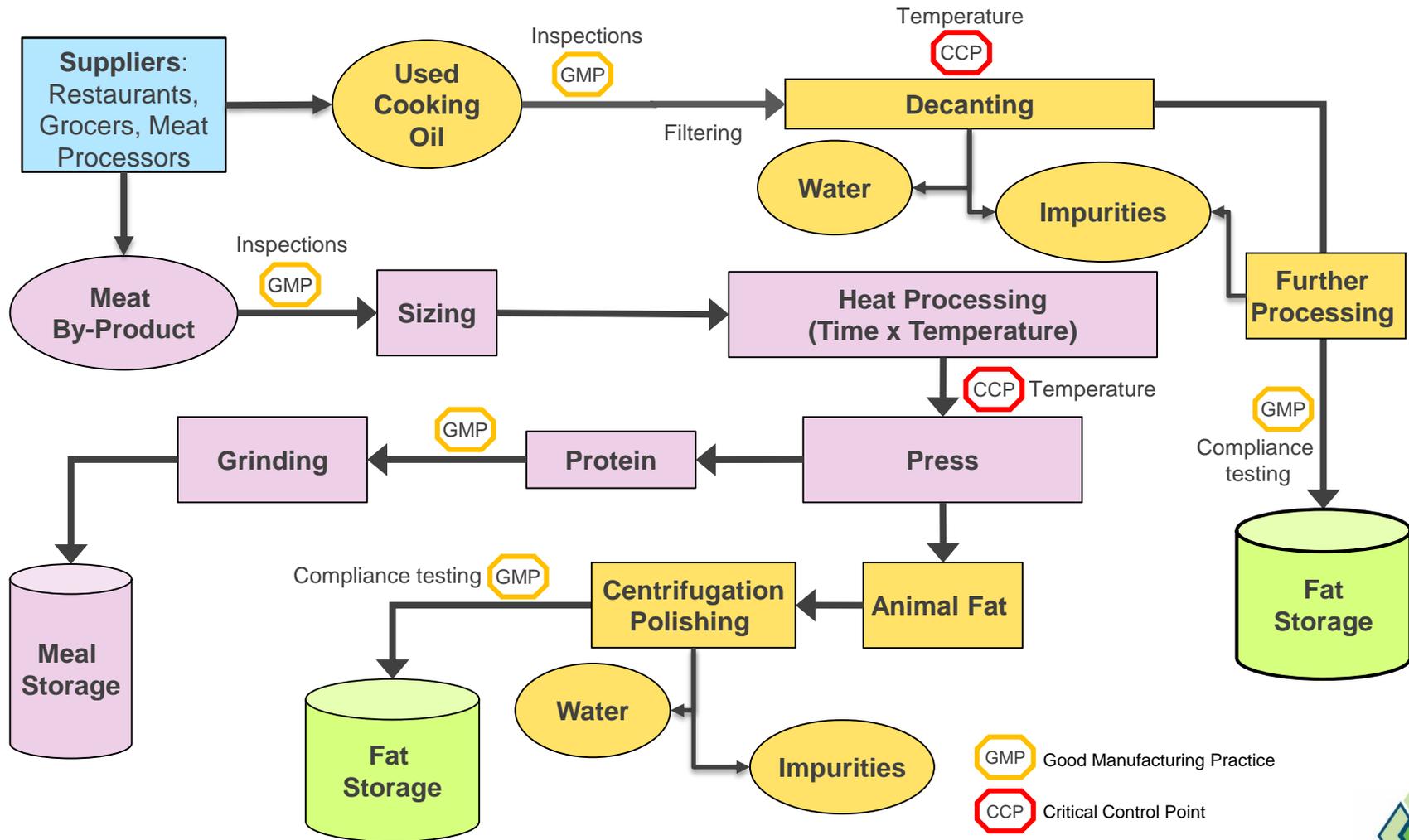
■ Countries where Darling has processing facilities

- Darling processes ~10% of the world's animal by-products

~49% of Darling's animal fats go to biofuel

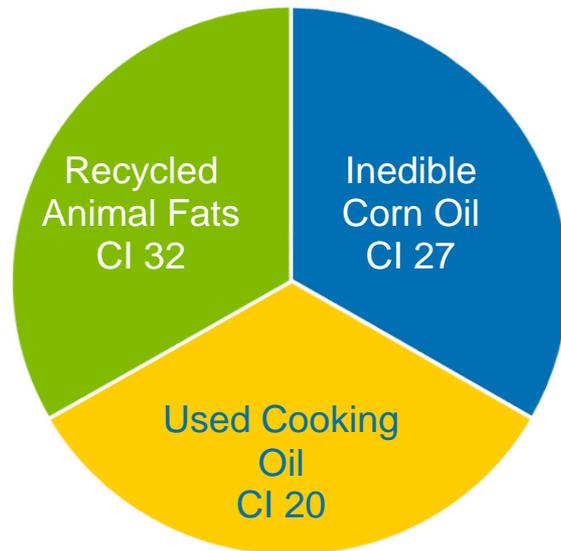


Processing of Animal Fats and Used Cooking Oil



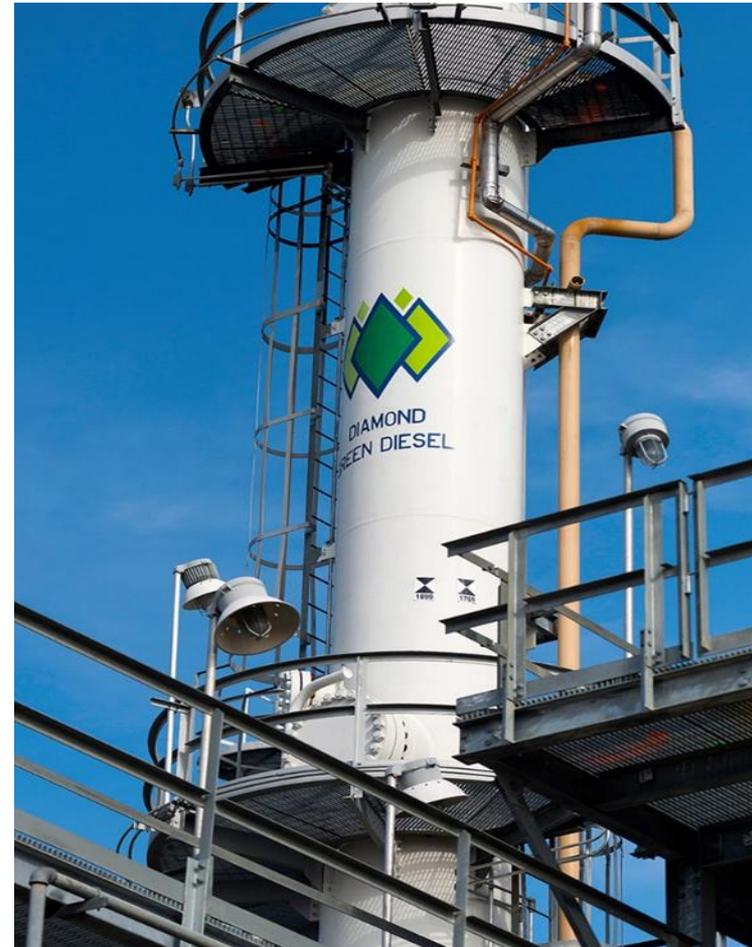
Diamond Green Diesel Feedstocks

Feedstock Composition and Carbon Intensity (CI)



Darling Ingredients provides feedstocks for DGD

- Darling is a global leader in by-product processing
- Darling brings expertise of the overall market for the feedstocks and the technical pretreatment of the feedstocks



Renewable Diesel has a Low Carbon Intensity (CI)

Carbon Intensity of Common Fuels

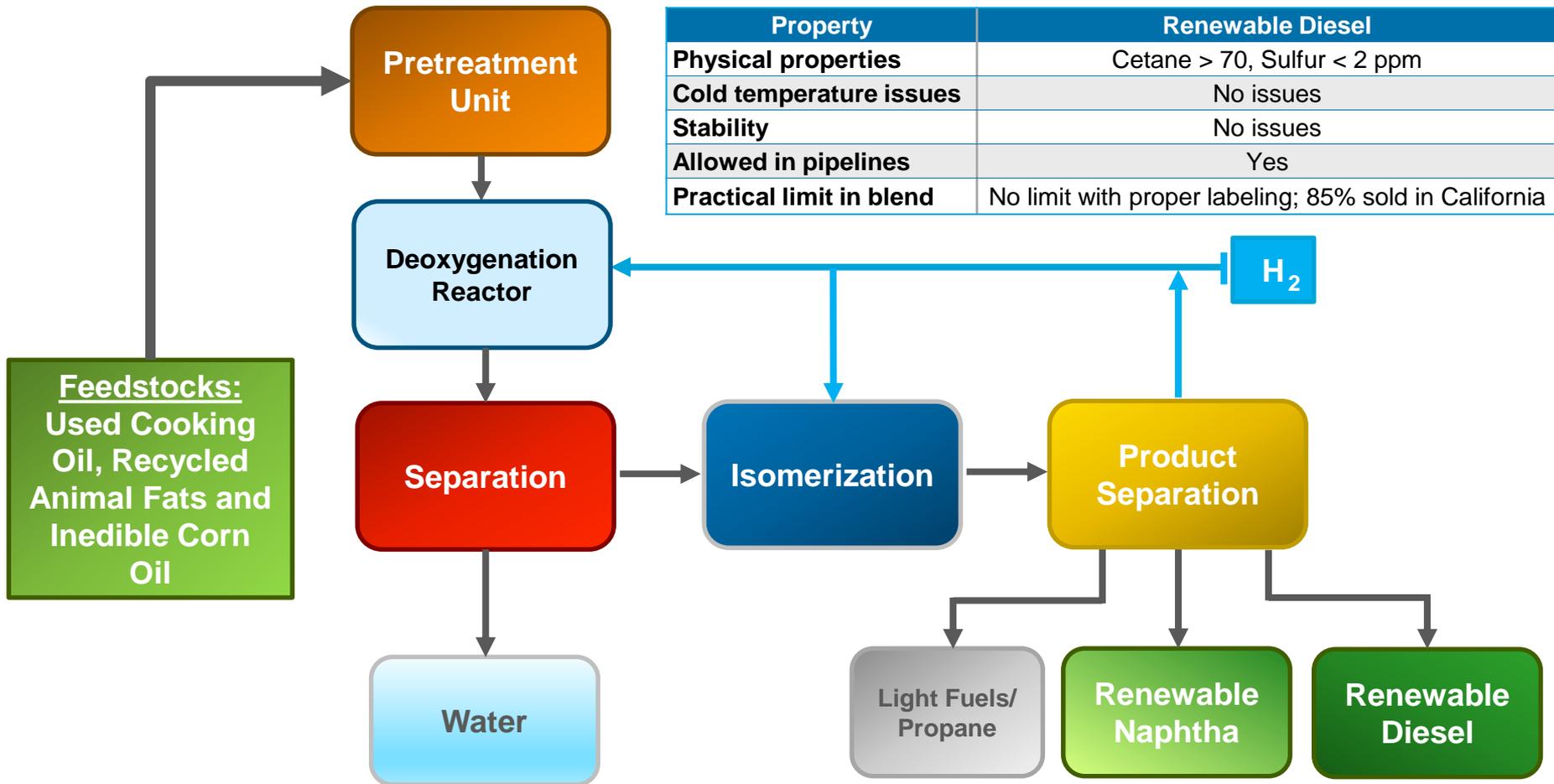
Product	Carbon Intensity
Gasoline	101
Diesel	100
California grid electricity	100
Vegetable oils for biomass-based diesel	55
Waste oils for biomass-based diesel	10-30



- California and Canadian programs are based on CI, which is measured in CO₂ equivalent emissions per unit of energy over the life-cycle of the fuel
- EU's program has life-cycle analysis, but sets up single credits, double credits, etc. to value feedstocks versus a formulaic value that is dependent on CI
- At \$200 per ton carbon price, the carbon value of a 25 CI renewable diesel fuel in California is \$1.76 per gallon

Energy sources with a low CI have significant value in programs like California's Low Carbon Fuel Standard (LCFS)

Renewable Diesel Process and Properties



No compatibility issues with existing infrastructure and engines

Diamond Green Diesel Plant Layout



Investing to Increase Premium Renewable Fuels Production



Diamond Green Diesel Expansion

- \$1.1 billion project cost expected to be funded from cash generated by DGD's operations
- Independent parallel renewable diesel plant and renewable naphtha finishing facility adjacent to existing plant expected to be completed in 2021
 - Increases annual renewable diesel production capacity by 400 million gallons per year and enables recovery of renewable naphtha
 - Combined total production capacity will be 675 million gallons per year after successful completion
- Margins are expected to be supported by increasing renewable fuel mandates and carbon pricing
- Estimated annual EBITDA contribution is approximately \$500 million at \$1.26 per gallon historical average EBITDA⁽¹⁾
- DGD is also in an advanced engineering review phase for a potential new 400 million gallons per year renewable diesel plant in Port Arthur, Texas

⁽¹⁾ Historical average EBITDA includes the Blenders Tax Credit. Projected pro forma EBITDA estimate of \$1.26 per gallon excludes the Blenders Tax Credit.

Demand Driven by Renewable Fuel Mandates

State

Low Carbon Fuel Standard (LCFS)

- Low Carbon Fuel Standard mandate was enacted in 2007 by the California Air Resources Board (CARB)
- CARB has adopted regulations to extend LCFS from 2020 to 2030 with a Carbon Intensity (CI) reduction goal of 7.5% in 2020, increasing to 20% in 2030 versus 2010 benchmark

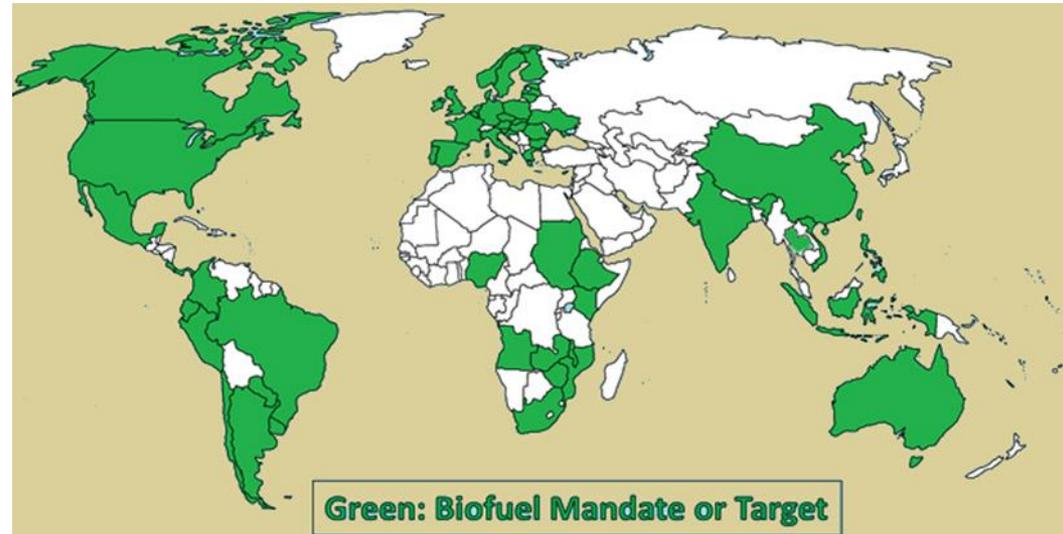
National

Renewable Fuel Standard (RFS)

- RFS is a federal mandate aimed towards reducing the nation's use of traditional petroleum-based fuels by increasing the use of renewable fuels
- The 2020 renewable fuel volume requirement is 20.1 billion gallons

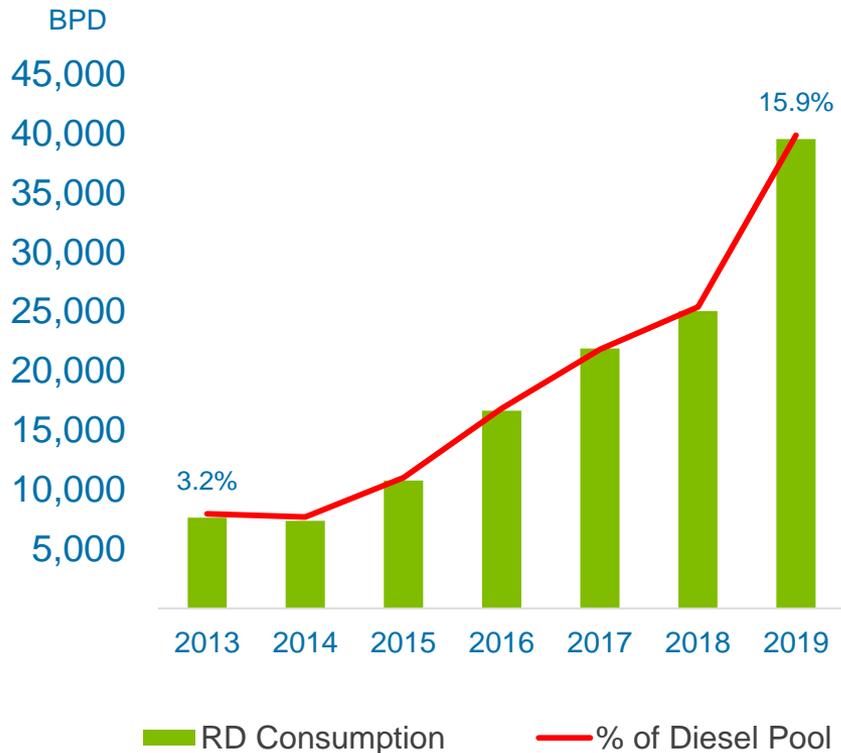
Global

- 66 countries have adopted mandates or target goals to reduce emissions
- British Columbia, the European Union and the United Kingdom have adopted similar programs
- Sweden implemented a 19.3% GHG reduction mandate for diesel fuel in 2018, with the target increasing to 21% by 2020

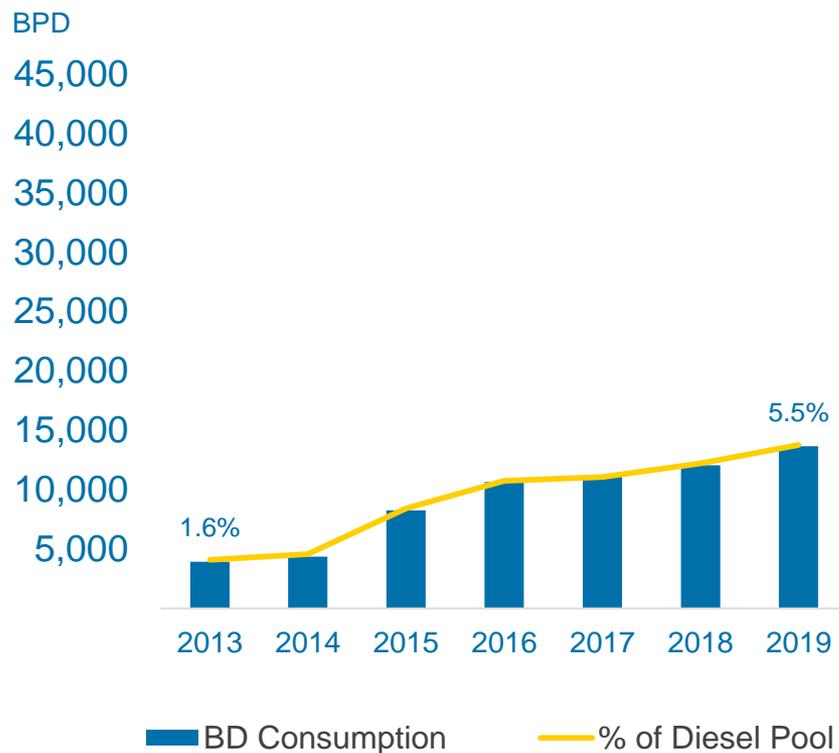


Renewable Diesel Blending is Outpacing Biodiesel Blending

LCFS Renewable Diesel (RD) Consumption



LCFS Biodiesel (BD) Consumption



Renewable diesel blending is growing rapidly in the United States, Canada and Europe

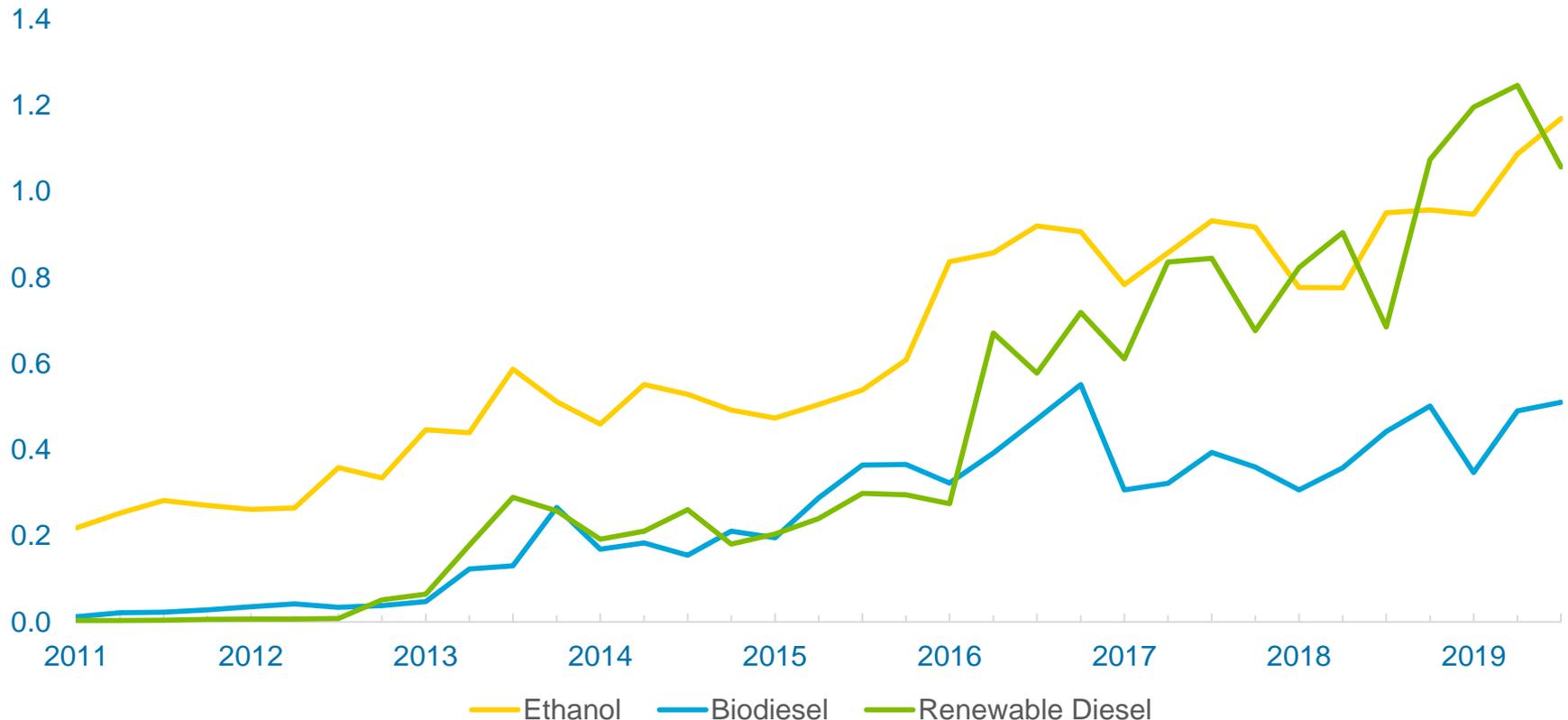
Source: California Air Resources Board.



Renewable Diesel is one of the Largest Carbon Credit Generators in California

Million Metric Tons

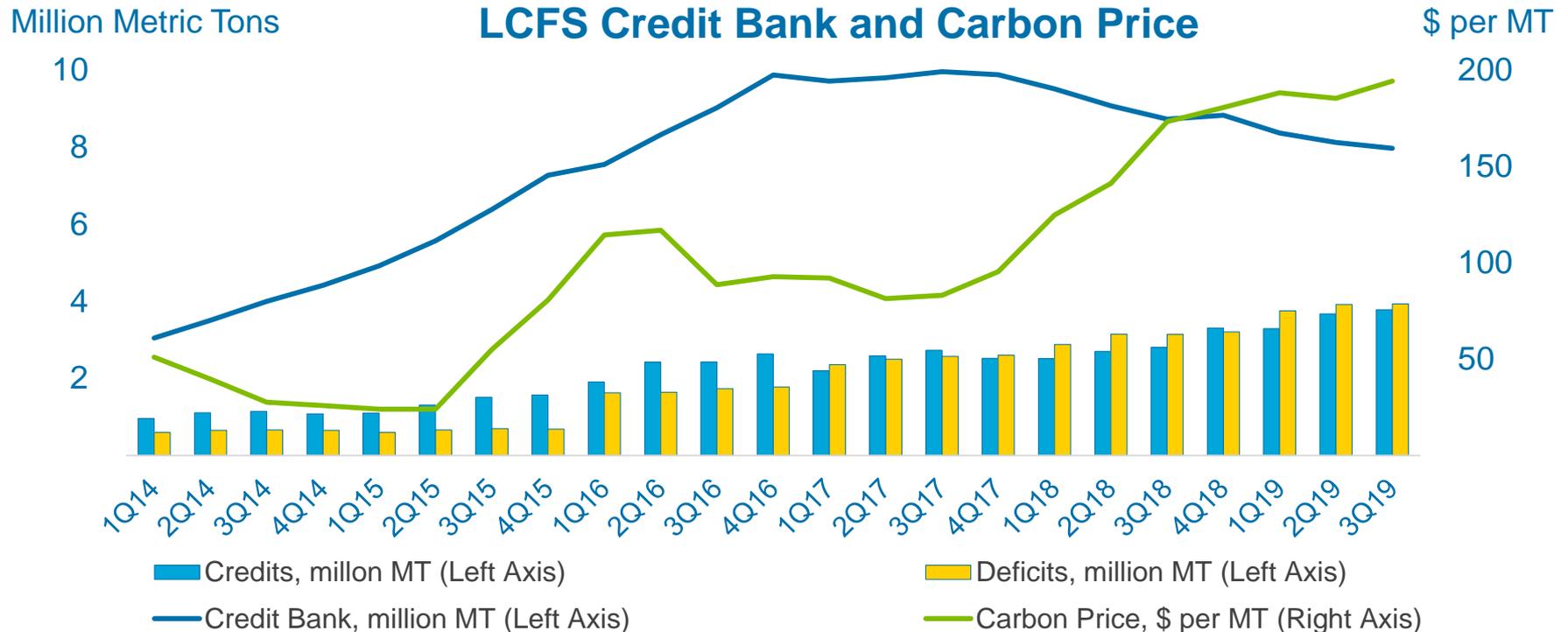
CARB Credits by Fuel Type



Renewable diesel is projected to be a large carbon credit generator for the foreseeable future

Source: California Air Resources Board as of September 30, 2019.

Renewable Fuel Mandate is Driving LCFS Pricing



LCFS credit bank and carbon price

- Compliance standard was frozen at 1% carbon intensity reduction from 2013 – 2015 due to legal challenges
- This resulted in building credits in the credit bank
- Reduction goal for 2019 was 6.25% with a 10% goal for 2022
- The credit bank is now being drawn down, driving an increase in the carbon price

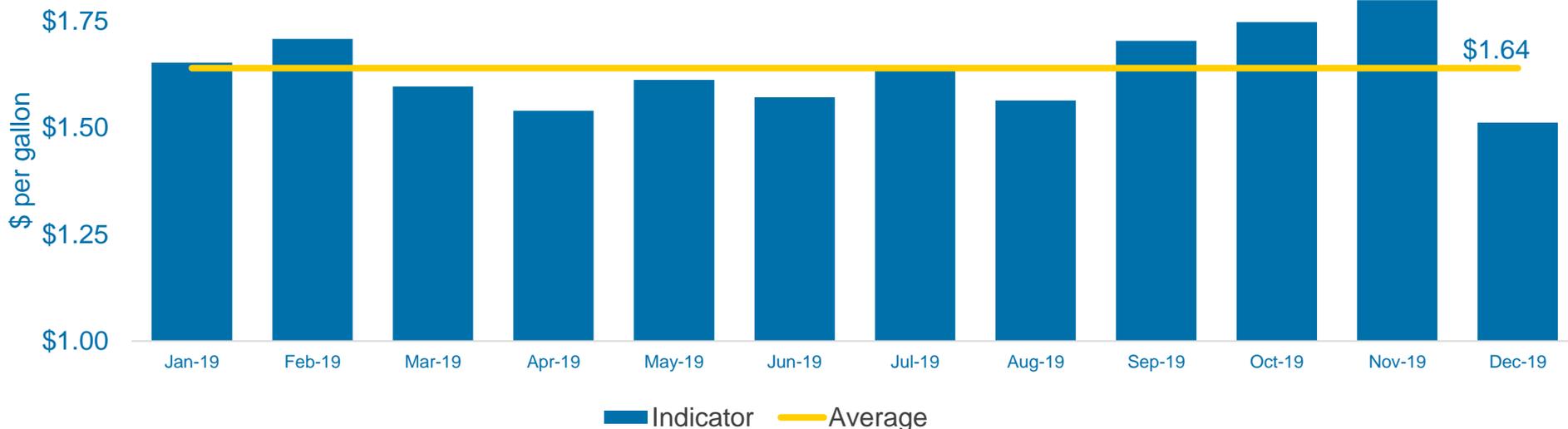
Source: California Air Resources Board as of January 31, 2020.

Renewable Diesel Margin Indicator

DGD Indicator (\$ per gallon)

$\text{NYMEX ULSD} + (1.7 * \text{Biodiesel RIN}) + (0.007 * \text{LCFS Credit}) - (8.5 * \text{CBOT Soybean Oil})$

- New York Ultra Low Sulfur Diesel (ULSD) price, \$ per gallon
- Renewable Identification Number (RIN), \$ per RIN
- Low Carbon Fuel Standard (LCFS) credit, \$ per metric ton
- Chicago soybean oil price, \$ per pound



The DGD margin indicator excludes the \$1 per gallon Blender's Tax Credit (BTC).



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