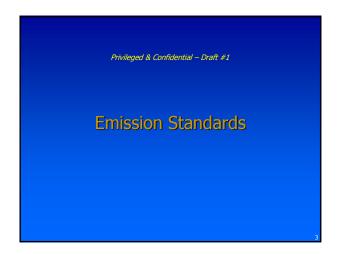
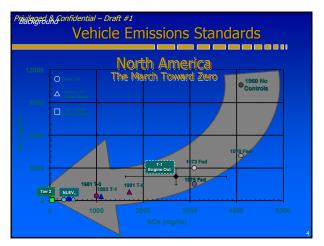


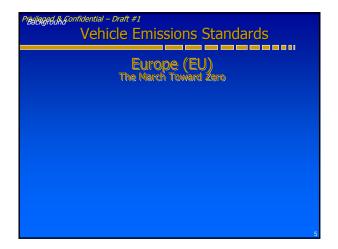
Privileged & Confidential – Draft #1

Why the Briefing?

- New Vehicle Emission Control Technologies designed to provide low emission performance and improved fuel efficiency are entering the global marketplace in response to consumer and government demands
- Clean Fuels are required to provide the designed performance of these technologies in customer driving
- Ash-forming additives, like MMT*, in gasoline may prevent new emission control technologies from providing their designed performance
- Governments around the world must understand the impact of fuel quality on vehicle emissions
- This briefing will provide information regarding MMT and its impact on vehicles with advanced emission controls
- * Methylcyclopentadienyl Manganese Tricarbonyl









MMT Overview MMT - Methylcyclopentadienyl Manganese Tricarbonyl Highly toxic organo-metallic compound used by refiners to improve the octane

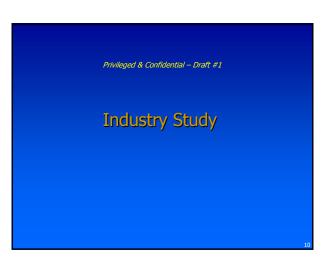
- Highly toxic organo-metallic compound used by refiners to improve the octane rating of gasoline (originally used as a cost effective replacement for lead which is also sold by Ethyl)
- Impacts vehicle combustion process and damages emission control components primarily due to metal (Manganese) and metal (Mn) oxides
- Widespread use in Canadian gasoline (since 1977)
- Banned in Canada in 1998 but ban was lifted after legal challenges from Ethyl
- Banned from use in reformulated gasoline (RFG) in U.S.
- Ban was lifted in non-RFG areas of the U.S. in 1995 after years of legal battles between Ethyl and EPA
- One US refiner began using MMT in 2002 (S-W U.S. limited use)
- Recently introduced in China, Australia, South America and Africa being targeted specifically as a replacement for lead
- OEM's are experiencing emission/component failures due to MMT, primarily in Canada and South Africa

Privileged & Confidential - Draft #1 Restrictions On The Use of MMT

- United States:
 - Banned from use in Reformulated Gasoline (RFG) used in California and other states (RFG accounts for approximately 40% of US gasoline)
 - Allowed in non-RFG @ 1/32 mg/gall (8.26 mg/litre)
- Canada
 - $\,-\,$ No limit but industry fuel specifications allows MMT use up to 18 mg/litre
 - $\,-\,$ Typically regular fuel concentration is 6 mg/litre
 - − Industry suspended the use of MMT in 2004 (used in ~5% of gasoline)
- South Africa
 - Introduced in 2000 (up to 18 mg/litre)
 - Plans in place to provide MMT-free unleaded fuel by 2006?

2





Privileged & Confidential - Draft #1

MMT Studies Overview

- Previous Data
 - Many studies have been conducted in the past to determine the effects of MMT on vehicle emissions. (See Sierra Research Summary Report of MMT Studies)
 - However, over the past 25 years, the Auto Industry has consistently indicated that MMT deposits affect emission control components leading to higher emissions and poor vehicle performance.
- In 1996, the automotive industry commissioned a comprehensive study to determine the effects of MMT on vehicle emissions and durability

Privileged & Confidential - Draft #1

Overview of Test Program

- 6 year, \$8 million (U.S.) statistically designed and analyzed study conducted in two phases by independent statistician Professor Richard Gunst of Southern Methodist University
- Initial program design reviewed by the U.S. Government (EPA) and Ethyl Corporation (MMT Supplier)
- 56 vehicles from 6 major vehicle manufacturers (DaimlerChrysler, Ford, GM, Honda, Toyota, VW) equipped with latest emission control technologies available at that time
- 6.3 million kilometres of total test mileage up to 160,000 km per vehicle
 - Controlled consumer style driving cycle, based on EPA developed cycle, for mileage accumulation on a test track
 - 4 identical vehicles of each model "Matched Pairs"
 - 2 operating on fuel with MMT
 - 2 on same fuel without MM⁻

12

Privileged & Confidential - Draft #1

Overview of Test Program continued

Statistically designed/analyzed study

- Independent statistician Professor Richard Gunst of Southern Methodist University was contracted to design the study, pick the test vehicles and analyze the data
- Emission tests were conducted at U.S. Government (EPA and CARB) certified labs in Michigan and California
- Fuels
 - Unleaded certification quality fuel was used throughout the program for mileage accumulation of "Clear" and "Additive" fuelled vehicles
 - MMT was added at 1/32 g Manganese/gal to base fuel
 - Clear fuel meeting emissions certification testing requirements was used for all vehicle emissions testing
 - · Indolene or RFG with no MMT

Privileged & Confidential – Draft #1

Overview of Test Program continued

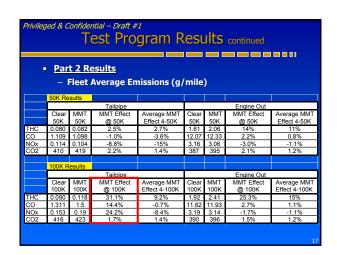
Tests and Analysis Conducted:

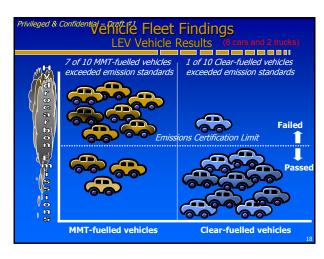
- » Federal Test Procedure (FTP) Emissions and Fuel Consumption tests at several mileage intervals
- » Highway Fuel Economy
- » Mileage Accumulation Fuel Consumption
- » Cold Temperature Carbon Monoxide
- » On-Board Diagnostics (OBD) Evaluation
- » Nitrous Oxide (N2O) on selected vehicles
- » Parts Swapping Emission Testing
- » Valve Leakage Inspection
- » Oxygen Sensor and Other Component Evaluation
- » Combustion Chamber Deposit Measurement and Removal
- » Oxygen and Air-Fuel Engine Analysis

1

Study Findings EMISSIONS The use of MMT in gasoline at the level of 8.26 mg Mn/Litre (1/32 g Mn per gallon); Caused all four models of light-duty Low Emission Vehicles (LEV) to exceed tailpipe emission certification standards at 160,000 km Significantly increased NOx emissions at 160,000 km Consistently increased tailpipe NMOG* and engine-out hydrocarbon emissions for all vehicles FUEL CONSUMPTION For Part 1 vehicles, fuel consumption on the road in customer-type driving increased by approximately 1% (0.1 L/100km) through 80,000 km For Part 2 vehicles, fuel consumption on the road in customer-type driving increased by 2% (0.2 L/100km) through 160,000 km A 2% increase in fleet gasoline fuel consumption represents huge increases in carbon dioxide emissions

Privileged & Confidential – Draft #1 Test Program Results _____ Part 1 Results Fleet Average Emissions (g/mile) Tailpipe Engine Out Average MMT MMT Effect Average MM MMT MMT Effect Clear MM7 Clear 50K 50K @ 50K Effect 4-50K 50K 50K @ 50K Effect 4-50K 0.088 0.103 17% 13% 1.84 2.20 20% 14% THC CO 1.166 1.233 5.7% 5.7% 10.18 10.06 -1.2% -1.0% 0.178 0.144 2.34 NOx -19% -10% 2.27 -3.3% CO2 363 364 0.3% 0.9% 354 355 0.3% 0.8% LEV Average Emissions (g/mile) Tailpipe Engine Out MMT Effect MMT Effec 50 K 50 K 50K @ 50K @ 75K 50K @ 50K @ 75K THC 0.062 0.108 72% 117% 1.37 2.24 63% 78% 8.40 9.24 10% 1.785 2.24 24% 62% 20% 2.91 2.90 NOx 0.062 0.073 17% CO2 271 278 2.9% 5.4% 264 267 2.1% 3.0%

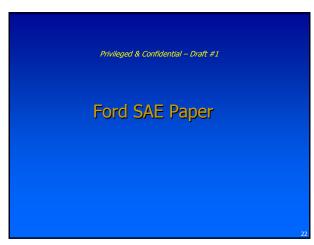












Privileged & Confidential – Draft #1

Ambient Air Emissions

Ambient Air Emissions

Canadian Emissions Modelling (AIR study) in 2020

Scenario 1 - Average 8.26 mg Mn/L (MMT Study level)

- 46% Higher Smog Causing Emissions from MMT Fuelled Vehicle Fleet

- Projected 95,621 Tonnes of smog causing emissions avoided annually with removal of MMT

- In addition, projected 1,062,427 Tonnes of Carbon Monoxide emissions avoided annually with removal of MMT

- Scenario 2 - Average 5.8 mg Mn/L (approx. average concentration used)

- 32% Higher Smog Causing Emissions from MMT Fuelled Vehicle Fleet

- Projected 67,325 Tonnes of smog causing emissions avoided annually with removal of MMT

- HC Emissions 34,450 Tonnes

- NOx Emissions 32,875 Tonnes

- In addition, projected 753,984 Tonnes of Carbon Monoxide emissions avoided annually with removal of MMT

Privileged & Confidential – Draft #1

Ambient Air Emissions

United States Emission Modeling (AIR study)

• Scenario 1 - Average 8.26 mg Mn/L (MMT Study level)

- Introduction of MMT in non-RFG fuel string in 2005

- Results in significant increases in smog causing and toxic emissions

• Almost 1,000,000 tons per year increase in smog causing emissions (2020)

• Almost 50,000 tons per year increase in toxic emissions (2020)

Response to Ethyl Criticism of Auto Industry MMT Study

Privileged & Confidential - Draft #1

Emission Standards / Driving Cycle

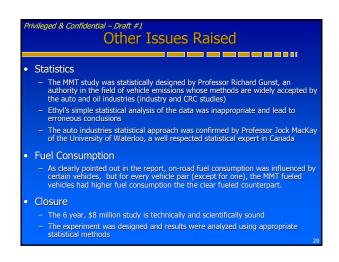
- In Part 2 of the test program, 7 of 8 LEV passenger cars exceeded emission standards when operated on fuel containing MMT (1 of 8 exceeded standards when operated on clear fuel)
- Manufacturers design and certify their vehicles to comply with emission certification standards for "full useful life"
 - All auto industry comparisons where made to certification standards
 - California allowed higher "interim" standards to encourage early introduction of LEV vehicles
 - California interim standards were not available after 1999 (also, MMT is not allowed in California gasoline)
- The driving cycle used was not aggressive
 - The original cycle was modified based on Ethyl's concerns (top speeds were reduced)
 - All vehicles were subject to the same cycle!
 - Did not subject the vehicles to "real world" driving behaviors such as high speed, towing, high loads, etc.
- The same cycle has been used by the CRC* in recent studies of engine deposits
 - Ethyl representatives are members of the CRC

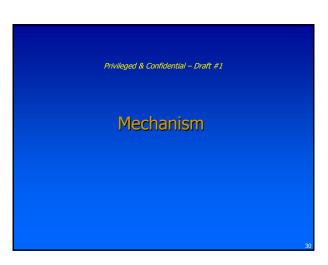
*CRC (Coordinated Research Council) is a cooperative US research organization funded by the Auto and Oil industries

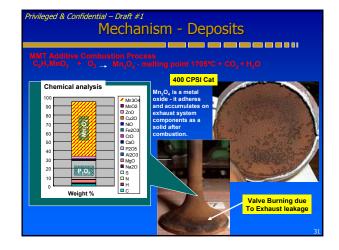
Privileged & Confidential - Draft #1

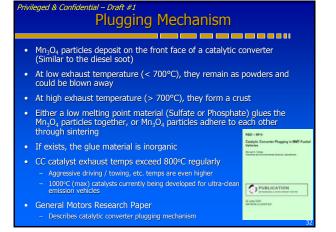
Mileage Accumulation Fuels

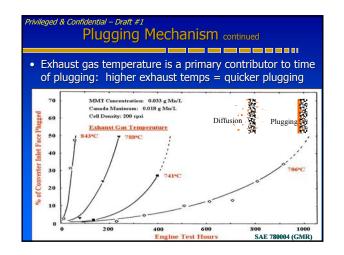
- The objective of the study was to determine the effect of MMT on vehicle emissions
- The only variable in the test program was the addition of MMT to the same base fuel used in all vehicles
- If different base fuels were used, additional variables would be introduced into the scientific test
- All vehicles tested were designed to run on regular [87 (R+M)/2] octane fuel
 - No knock was reported on any of the vehicles
 - Fuel consumption on the higher octane MMT fueled vehicles were worst (should have been better as 8.26 mg/litre Mn = \sim 0.75 octane)
- There is no clear evidence that MMT lowers aromatics
 - No differences found in aromatic content in an analysis of Canadian gasoline with MMT compared to US gasoline without MMT
- Analysis was conducted by Professor Jock Mackay, University of Waterloo - Canada

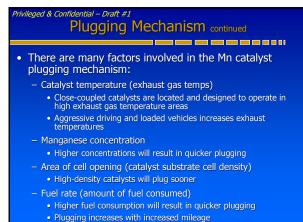


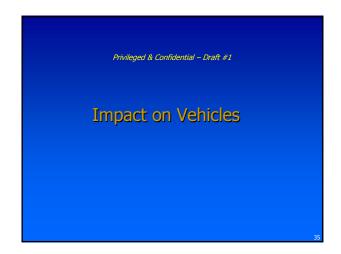




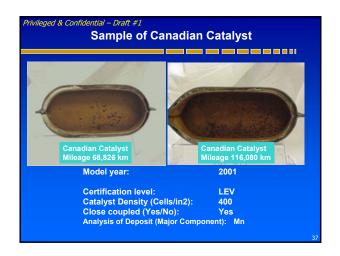


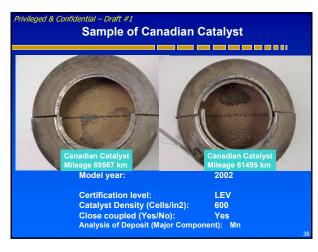


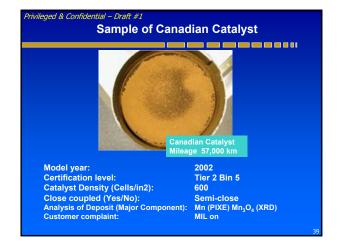


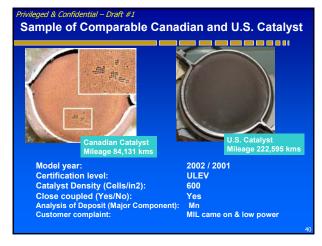


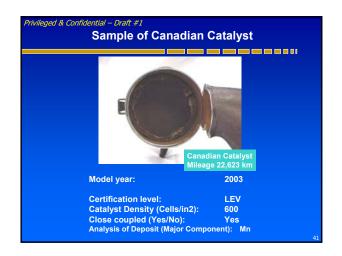




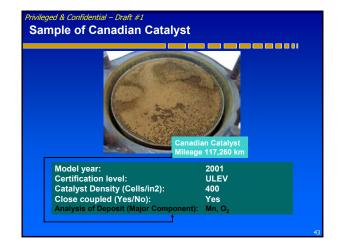




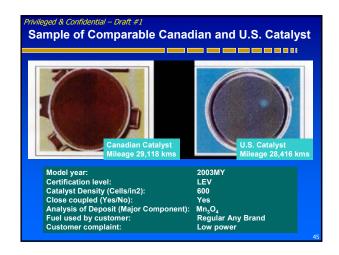


















Privileged & Confidential - Draft #. Conclusions

- Vehicles equipped with advanced emission control technologies require clean fuel to operate as designed
- Vehicle Manufacturers unanimously support the findings of the Auto MMT study demonstrating that MMT has a detrimental impact on vehicle emissions and components
- Vehicle Manufacturers will continue to endorse the World Wide Fuel Charter recommendations for fuel properties
 - Metallic additives are prohibited from unleaded fuel
- Vehicle emissions forecast projections will NOT be met if metallic additives are used in unleaded gasoline

Privileged & Confidential - Draft #1

Canadian Government Review **Process**

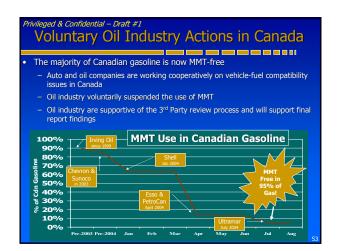
Privileged & Confidential – Draft #1

Canadian Situation

- In 1998, the Canadian government issued a regulation to restrict the use of MMT - Ethyl immediately sued and after an internal review, the government rescinded the regulation and settled the suit
- Upon settlement with Ethyl in 1998, Canada committed to conduct an independent 3rd party review of any new information pertaining to MMT
- Auto industry MMT study sufficient for Environment Canada (EC) to trigger independent scientific $3^{\rm rd}$ party review of "new evidence"
 - Environment Canada (EC) released a Terms of Reference for the MMT 3rd Party Review Process in December, 2003
 - submission (via the CVMA/AIAMC) and supported by the AAM
 - A Final Terms of Reference from EC is overdue
- The Auto Industry is fully supportive of an independent scientific review of the impact of MMT on vehicle emissions and emission components

ivileged & Confidential - Draft #1 Independent 3rd Party Review Process ____

- A clear outcome from the 3rd Party Process is critical
 - Oil industry indicated that they will support the final report findings
 - EC will begin regulations to ban MMT based on the panel findings
- Review will begin shortly and is targeted to conclude by the end of 2005
 - Data submission deadline likely early spring, 2005
- Royal Society of Canada most likely to conduct the review
 - Independent Canadian Academic Organization
 - Process will likely be conducted by 7-8 "independent" experts in the area of fuels
 - Health issues and refinery emissions are not included
 - Fundamental issues will be related to the impact on hardware and associated emissions increases (i.e. proof of significant impact on air quality)
- Various Auto companies are accumulating information
 - Data will be used to support an industry submission for the 3rd Party Review







China Fuel Evaluation Test Program

 Experimental Design
 Statistical principals and methodology must be used
 Eliminate any potential sources of bias
 3000 km break-in on clear fuel does not represent real-world operation
 Statistical randomization is a common approach to minimize bias
 Random assignments of vehicle pairs should be considered
 Milegae accumulation fuel cannot change
 MMT fuel must be used from the start of the program for break-in and mileage accumulation

Test Vehicles

 Euro 4 emission vehicles are a good choice
 Using one vehicle model severely limits the how the results can be used
 MMT affects different models differently — Many factors involved:
 Exhaust Temperature
 Manganese concentration
 Catalyst location and density
 Vehicle Fuel consumption

Predicting the impact of fuel on the entire vehicle fleet is not possible when only one vehicle model is tested

rivileged & Confidential – Draft #1

China Fuel Evaluation Test Program

- Test Fuels

- How will mileage accumulation fuels be formulated?
 - Are octane levels to be maintained by adjusting aromatics and olefins?
 - Varying octane components introduces uncertainty in the test program
 - Hydrocarbon composition of fuel affects emissions, deposits, etc.
 - Fix hydrocarbon emissions at desired level and vary only MMT
- Emission certification fuel
 - To determine compliance with EURO emission standards, proper certification test fuel must be used when conducting emission tests
- Other fuel properties
 - Sulfur: Stage 4 gasoline for EURO 4 vehicles limits sulfur to 50ppm - Detergency additives
- Vehicle Maintenance
 - · Routine maintenance should not occur prior to an emission test
 - Document how non-scheduled maintenance/repairs are to be dealt

rivileged & Confidential – Draft #1

China Fuel Evaluation Test Program

Test Program Design

- Repeat emission tests
 - 2 emission tests should be run (minimum) per vehicle » Third test criteria should be established prior to beginning test program
- Mileage Accumulation
 - MMT deposits increase with mileage
 - 80,000 km may not be enough to determine long-term effects of MMT
 EURO 4 regulations require in-use performance for 100,000km
 Real-world mileage accumulation will be much higher (300,000 km+)
- Driving Schedule
 - The driving schedule is critical and should represent most types of driving behaviors in China

 » Speeds, acceleration rates, length of cruises, etc.

 » Some "severe" customer behaviors should be included
- - Accuracy of the fuel used by each vehicle is important
 » For calculating fuel consumption differences

 - Avoid mis-fuelling vehicles
 Fuel testing for each batch of fuel to ensure specifications are met

China Fuel Evaluation Test Program ____

Reference Vehicle Tests

- Testing emission components on an un-aged reference vehicle is
 - Emission components operate as a "system"
 - MMT affects engine deposits and many emission control components
 - Testing individual components will not show the affect MMT has on a vehicle and will lead to erroneous conclusions
- · Consider exchanging components between vehicles
 - Test MMT-fueled vehicle components on clear fueled vehicles
 - Vehicle pairs would strengthen this comparison

Other Tests

Particulate (PM) testing for both manganese oxide and conventional particles should be conducted

Closure

• If an MMT test program is to be conducted, extreme care must be taken in the design of the program to ensure proper results

Privileged & Confidential - Draft #1

Auto Industry Recommendations

15

Privileged & Confidential – Draft #1

Recommendations

- China is at a critical point relative to vehicle use
 - Transportation is growing at a very fast pace
 - Emissions from transportation must be addressed

 - Fortunately, vehicles with advanced emission control technology are widely available (Euro 4, Tier 2, LEV2, etc.)
 Fuels must be compatible with current and future emission control technologies MMT is not compatible with these technologies
 - Advanced vehicles and fuels can be quickly adopted by China as these technologies are widely available
- China should not allow the use of MMT in unleaded fuel
- A decision to allow MMT in fuel must be thoroughly evaluated to understand the impact on vehicle emissions and air quality