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Presentation

Operator

Good morning, everyone, and welcome to the Calumet Specialty Products Partners LP First Quarter 2024 Results Conference Call.

All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please also note, today's event is being recorded.

At this time, I'd like to turn the floor over to John Kompa, Investor Relations for Calumet. Sir, please go ahead.

John Kompa
Director of Investor Relations

Good morning. Thank you, Jamie, and thank you for joining us today for our first quarter 2024 earnings call.

With me on today's call are Todd Borgmann, CEO; David Lunin, CFO; Bruce Fleming, EVP Montana/Renewables and Corporate Development; and Scott Obermeier, EVP Specialties.

You may now download the slides that accompany remarks made on today's conference call, which can be accessed in the Investor Relations section of our website at calumat.com. Also, a webcast replay of this call will be available on our site within a few hours.

Turning to the presentation on Slide 2 and 3, you can find our cautionary statements and tax disclosures. I'd like to remind everyone that during this call, we may provide various forward-looking statements. Please refer to the partnership's press release that was issued this morning as well as our latest filings with the SEC for a list of factors that may affect our actual results and cause them to differ from our expectations.

With that, I'll now pass the call to Todd.

Louis Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

Thanks, John, and welcome to Calumet's first quarter 2024 earnings call.

We have a number of items to discuss today as we enter what we expect to be a spring and summer full of strategic value-creating catalyst here at Calumet.

Let's turn to Slide 4, and I'll start with an update on our C-Corp conversion. In short, the conversion remains on track, and we are optimistic that we'll complete the process in the next 60 days. This process has moved quickly, and I'm thankful to the general partner, conflicts committee, employees, attorneys and everyone else involved for a thorough negotiation and efficient process to-date. During the first quarter, we announced the completion of the conversion agreement. We filed the S-4 with the SEC. And upon final feedback, we'll distribute the proxy and schedule an investor vote. We continue to be optimistic about the opportunity this conversion provides for Calumet and our unitholders. Our current shareholder base is comprised of our general partner, insiders, a small group of loyal and significant deep value investors and a broad set of retail investors. It's a good, stable investor base, but it lacks large institutional investors and passive index funds. Passive investment strategies now make up over 50% of the public equity market, yet they own almost 0 Calumet as most indices can't hold MLPs by Charter. From a pure technical trading lens, this conversion is arguably one of the most important strategic steps the company has ever taken. Since we initially announced the conversion, we've seen an increase in our average daily trading volume of a little over 20%. The trading volumes are still quite illiquid compared to most publicly traded companies, and this conversion is a major milestone in removing that burden. For example, Calumet C-Corp peers typically have 20% to 30% of their shares outstanding held by passive indices. And again, we have almost none. The ability to add significant demand to the investor pool is exciting in itself, but we think it's compounded with the fact that Calumet presents a compelling opportunity to larger active institutional investors. We've been on the road talking to this group since our announcement. And like I mentioned with passive indices, our MLP status put most of this group practically off limits. Of course, this all changes post conversion. The next near-term priority is taking the last step in demonstrating the competitively advantaged position Montana Renewables. With the construction behind us, our start-up year in a rearview and old expensive feed process, we believe financial demonstration of the top-tier position that Montana Renewables holds is the next step in capturing the value of MRL for our unitholders. Third, we're deep into the DOE loan process, which we hope will unlock our MAX SAF expansion soon. And last, we continue to demonstrate the uniqueness and wide moat that exists in our specialties business. I'll hit on each of these items further, but let's first move to results on Slide 5.

In the first quarter, we generated \$21.6 million of adjusted EBITDA. We had previously communicated that the quarter was marked by a rate ramp-up and inventory drawdown at Montana Renewables and a successful turnaround at Shreveport, both of which impacted results within our expectations. The one negative expectation was the magnitude of the seasonal weakness experienced in the Northern Rockies as both gasoline and asphalt realizations were lower than normal. Every year, the Montana retail asphalt racks closed for the winter and our asphalt sales mix shifts to 100% wholesale. This past winter, that occurred as normal, but a huge increase in WCS costs created a major price lag. As we sit here today, we're seeing retail asphalt sales start to pick back up as the paving season supported by our polymer-modified asphalt plant will be full steam ahead in June like normal.

Let's turn to Slide 6 and talk about Montana Renewables. In past calls, we've talked about the significant milestones MRL has accomplished as it turned from an idea into a leading SaaS and renewable diesel business in a few short years. The next milestone is demonstrating a clean financial quarter. As we talk today, we've been operating for 5 months since the December restart. Each month has improved sequentially as we've ramped up rates, increased SAP production, reduced our feedstock carbon intensity and work through the old expensive feed. A primary advantage point for Montana Renewables is our access to a host of feeds and ability to utilize our leading pre-treatment technology to switch quickly to whatever market opportunities exist, which simply was not an option when our tanks are full. We expect industry feedstocks to price at CI parity over-time, at least in the clearing house on the Gulf Coast. But as we have often discussed, the various speed classes, including tallow, corn oil and vegetable oil, rotate among themselves, and we can take advantage of that. This optimization value is driven by a short local supply chain, and it started to help again in March as demonstrated by moving back into the black financially, and it's now unconstrained as we have cleared the backlog of inventory built in the second half of last year. Of course, the current question outstanding for all participants in our space is the market environment, which we track using the index for renewable diesel margins made from soybean oil. This index has become the standard industry benchmark in RD. A couple of weeks ago, we hosted an Analyst Day in Great Falls, and industry outlook was the primary topic of the conversation. In fact, the slides and script from that event are on our website for anyone who would like to go deeper.

Staying on Slide 6 and looking at the right-hand chart, we show the renewable diesel industry capacity as a supply stack based on total net cost, and we overlay the normal index margin across the top. This top line margin is the regime that's governed the industry margins historically, at least until September of last year. In its normal regime, renewable diesel players expect to see a fairly steady index margin around \$2 a gallon. We've talked about this in the past, so I won't go too deeply into it here. But the premise is that the incremental competitor sets the market price. We specifically think that the incremental player is the group of small-scale biodiesel plants that run soybean oil. And this group typically requires an index margin of about \$2 per gallon to be cash flow positive. However, for the last few quarters, industry has observed a lower index margin of around \$1 per gallon. Although we expect that to be a temporary condition, it is already doing lasting damage to farmers, biodiesel and even some renewable diesel producers. How did this happen? Historically, EPA has set the RVO to incentivize all forms of renewable energy and raised it annually to capture any increase in renewable supply. In that normal regime, all elements of the margin equation, the LCFS, [Diesel], the BTC, REN and the price of soybean oil, must interact in a way that incentivizes the incremental player to produce or else the mandated renewable volumes will not be achieved. In contrast to this, EPA has set a 2023 to 2025 RVO at a level that's substantially below the industry's production capacity. For example, the industry's capacity is well above 6 billion gallons per year, but the EPA RVO was set at an implied level of 4.5 billion gallons. This challenges all biomass-based diesel producers, and we're seeing both biodiesel and renewable diesel producers being forced to close and reduce rates. Many has said that the level was set this way because it was difficult to predict reliability of start-ups in this new industry and questions existed about the ability to source feedstock. With most of the large start-ups either now up or coming out this year and the feedstock situation clarified, we think that it's logical to revert to the now proven and normal methodology of including all production capacity in the RVO. After all, the original statutory demand for renewable fuels was to have reached 35 billion gallons per year by 2022, and the country has fallen well short of that plan as we're just over halfway there. In fact, closure and rate reduction announcements made so far this year have the industry moving backwards, not forwards. We need every drop of renewable fuels production capacity available plus a lot more to ultimately achieve our objectives. In short, the EPA should increase the RVO.

Regardless of index margin, competitive advantage depends on total cost structure. The index margin will lift or lower all boats, the competitive advantage in this space is driven by access to a free treater, advantaged logistics costs, economies of scale, a flexible feed slate, product yields, specifically SaaS, and access to the right end markets. On the P&L, these items all met together to represent everything between the industry's soybean index margin and EBITDA. In other words, the breakeven level to the soybean index is a function of a company's operating cost, SG&A, logistics costs and relative yield and CI differences to the soybean index. Right now, we believe this breakeven EBITDA level is about \$0.85 a gallon for Montana Renewables, which we think is best-in-class. Ultimately, we think our costs will be closer to \$0.65 a gallon as we continue to gain efficiencies, which is the gist of our original guidance of \$1.35 a gallon of adjusted EBITDA in a normal regime of a \$2 per gallon index margin. As I mentioned earlier, we do expect this normal regime to return, but that will require the RVO to be adjusted to incentivize the energy transition as it has historically.

The next catalyst for Calumet will stay in the MRL category is our MAX SAF expansion. Of course, this is directly tied to the DOE loan process, which is in the late stages and continues to progress well. We're going to refrain from sharing too much more on this project until we get to the finish line with DOE, but we're incredibly excited about it. SAF is a tremendous opportunity for the world for our industry. It's the only proven way to materially reduce emissions in the harder day airline sector, and it's an area that is brand new and creates meaningful upside. Just recently, the U.K. issued a SaaS mandate starting in 2026 and growing from there. Japan, Singapore and India have also issued mandates are in the late stages. And the United States-Grandstaff challenge calls for 3 billion gallons by 2030 and 35 billion gallons by 2050. Not only is this a new world of opportunity for SAF, but the SAF supply also impacts the renewable diesel balances and margin outlook. To illustrate that, simply reference the RD supply stack chart mentioned earlier, add another 3 billion gallons to the existing RVO employed demand, and you'll see that if the Grandstaff challenge is met by conversion of renewable diesel plants, which is the only demonstrated proven option, we're once again in a scenario where demand, including all existing biodiesel can't be met by current supply. Needless to say, not only is SAF a tremendous advantage for us right now, it's also an opportunity that will transform the underlying fundamentals of renewable diesel in a positive way as industry volumes grow.

Let's transaction back to specialties for a minute, and then I'll hand the call to David. At our recent Analyst Day, we opened with more info on specialties than we provided in some time, and the feedback was that while we've all been focused on a new Montana Renewables, we haven't spent as much time talking about the rock-solid specialties business we have at Calumet, and the growth that the team has delivered over the past few years. We've mentioned before that our specialties business has seen 5 straight years of margin growth, which is a major accomplishment. This has been a combination of a data-driven approach to commercial excellence, an asset base and market reach that is incredibly agile, a culture of innovation and a differentiated appreciation and service of customers. It's these things that allow us to both weather storms as we saw during COVID and capture the upside of the extremely strong markets we've seen over the past couple of years. The current market is in between these 2 extremes. Back during peak margin times, we highlighted that the increase in specialty margins from the historic \$40 per barrel range was about half market and half a function of our commercial focus. I think the specialty margins have bounced between \$60 and \$70 a barrel over the past few quarters. We're seeing that in a more mid-cycle environment, this expectation was appropriate.

The other thing we've mentioned in the past is the investment and reliability. We've made meaningful progress over the past couple of years and still have room to go as we recently entered the third year of the plan. In the first quarter, we saw an example that we expect to see more of as we continue to fortify our operations. 2 of the past 3 years, we've had winter storms that have paralyzed not only our Louisiana facilities, but a lot of Gulf Coast infrastructure. This past winter, we had a similar event. And while we experienced a few days of downtime, lessons learned and improvements made allowed the plant to restart in days as opposed to having an event that would impact us much further.

With that, I'll turn the call over to David.

David Lunin
Executive VP & CFO of Calumet GP, LLC

Thanks, Todd. Turning to Slide 7, our SPS business generated \$41.8 million of adjusted EBITDA during the quarter. As mentioned, we successfully completed our planned turnaround in Shreveport on-time and on budget, and we've seen a string of successful turnarounds here, which continues to give us confidence in our ability to execute on our capital plan. The turnaround took us offline for approximately 7 days. And while back in the beginning of the year, we didn't expect to see much of an impact to the financials from this. We went into the turnaround with a little lower inventory than originally planned. So it did cost us between 200,000 and 300,000 barrels of sales. On the commercial side, our team continues to deliver. We saw crude price increase \$8 per barrel during the quarter. The related lag is the majority of the decrease we saw in specialties material margin for the quarter. Price increases have now been passed through. The crude price increase also impacted asphalt margin in addition to a seasonally weak winter.

Moving to Slide 8. Our Performance Brands segment generated \$13.4 million of adjusted EBITDA for the quarter. In this segment, we drove year-over-year volume growth of approximately 13%, reflecting excellent execution by our commercial team. Our first quarter 2023 adjusted EBITDA also increased by approximately 17.5% or \$2 million year-over-year when considering that the prior period reflected a \$5 million insurance benefit. With the business on solid footing today, we remain focused on continuing to grow our core industrial business lines, particularly in mining, power and marine applications. We also continue to remain excited at the opportunities we see as we view the specialties business as one whole business as opposed to 2 individual segments. Both STS and Performance Brands have benefited from leveraging the ingrained commercial options that exist in these businesses.

Turning to Slide 9. Our Montana business, we recorded a loss of \$14.5 million of adjusted EBITDA for the quarter. We've talked about the old expensive feed and how full inventory tanks block the ability to optimize speeds for some time now, so I won't rehash that here. Progressing through the old feed during the quarter, along with making sequential month-over-month improvements in

essentially every facet of the operation allowed us to close the quarter with positive adjusted EBITDA in March at MRL. And halfway through the second quarter, operations are holding strong. It's no surprise that industry index margins isn't helping any of us in RD at the moment, but we do continue to expect a clean quarter in Q2 and are focused on continuing to demonstrate the competitive advantages we have in this business. While we do that, we'll wait for industry margins to recover, we continue to believe that industry margins should improve as higher cost producers shut down or cut back break, the new LCFS levels solidify. And ultimately, the industry starts to gain information on new RVO levels to take into account the new production that's been added to the industry. As these steps occur, we expect industry margins to regain fundamental support levels and ultimately rise to the historical approximately \$2 a gallon level that we've seen persist steadily for years.

Turning to our CMR business. The first quarter started out with an extremely soft local gasoline and asphalt market in Montana. In fact, while we don't break out Montana Renewables and CMR businesses just yet, I can say that of the approximately \$14.5 million of negative EBITDA in Montana and Renewables segment, the vast majority of the loss came from the legacy CMR business in Q1. Historically, Montana's asphalt plant is the most seasonal of our assets as it's highly dependent on wholesale, asphalt and local gas demand. While we typically expect around breakeven results in Q1 that then historically improve as we gear up for the local paving season and spring and then accelerates in the summer, the first quarter was tougher than normal. While wholesale asphalt margins are always less than retail, Q1 impact was exacerbated by a rapid run-up in WCS prices, which further compressed margins. Production was also reduced due to a minor maintenance issue and results were negatively impacted by a \$4 million utility surcharge that stemmed from a number of negative 30 degree days and lower in January.

In closing, let's move to Slide 10. We've highlighted a number of key catalysts in what we expect to be a transformative year for Calumet that are intended to support our strategy of maximizing value for unitholders. First, our C-Corp conversion remains on track to close mid-year. As we've said before, we believe our story is an interesting one for all investors, and we're excited to prove the ability for a broader set to be able to invest in the Calumet story, plus this conversion allows index inclusion, which will help support broader demand for our equity. We are extremely focused on also demonstrating the competitive advantage of our Montana Renewables business, driven by our superior logistics advantage and location. Again, we saw consistent improvements throughout the quarter across all relevant metrics, production, sales, cost, staff and continue to make improvements into Q2. As Todd stated, our work continues on securing a DOE loan, which supports the final investment decision on our MAX SAF expansion project. Discussions are active and advancing.

Finally, we remain committed to reducing our debt levels, and we repaid \$50 million of our 2025 notes earlier in April. We believe we have a number of levers to continue to delever over time, including test generation of our proven specialties business, the potential monetization of MRL, portion of MRL or upside potential from MRL's anticipated cash generation.

Operator, that concludes our prepared remarks. We'd now like to open the line for questions. If you can remind the callers of those instructions. Thank you.

Question and Answer

Operator

Ladies and gentlemen, at this time, we will now begin the question-and-answer session. [Operator Instructions] Our first question today comes from Roger Read from Wells Fargo.

Roger David Read
Wells Fargo Securities, LLC, Research Division

I guess I'd like to dig in just a little deeper. Todd, you mentioned 5 months. Now you've been running MRL well and getting through the disadvantaged feedstock. Can you just kind of give us a little more detail on maybe that process of disadvantage to advantaged feedstock and then just kind of a quick little synopsis of how the hydrogen units working since that was part of the challenge to the shutdown last fall.

Louis Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

I'll start and then we'll jump to Bruce. I think the primary advantage on just working through the old feedstock is two-fold. One, obviously, it was more expensive. We've seen prices drop rapidly over the last 6 months since the RVO was set. The RINs have led the price down, and we've seen the feedstocks follow. So having tank full of just inventory bought at previous times and contracts that were rolled from those environments was a major headwind for us, and we're glad to have that behind us. I think the second impact is our primary advantage or one of our front advantages in Montana Renewables is to be able to switch very rapidly and take advantage of more discounted feeds, lower CIC, as you name it, feeds with higher SAF yields. And we had that ability to switch in the fourth quarter and the first quarter results would have been dramatically different than what we saw. And we saw some of that start to open back up in March. If you were to look at our feed runs, the feeds light, what you'd see is we primarily had to run vegetable oil purchase last year throughout the winter just because that's what we had contracted, and that's what we had in our tanks. And as we work through that, we had some flexibility to add more tallow to the mix and the likes. So happy to have that behind us, and we have that full ability available to us going forward into Q2.

As far as the hydrogen plant, it's been running well. We started back up in December. Obviously, not everything is perfect. We're still pretty early in the operation. But all being said, we've improved every single month. And if you saw some of the press release and the investor deck we put out this morning, in April, we're at full run rates. We're in essentially 12,000 barrels a day. Very happy with our SAF fields progressing. And like I said, have that ability to switch feeds and maintain our advantage. So all-in-all, pretty happy with where we've been and where we sit at the current time.

Bruce?

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

I think that was pretty thorough. I'll just add the mechanical availability of the site has been great. The fact that we had an unplanned reduction the half rate last August, which is, of course, behind us. But that backed up to about 650,000 barrels of incoming feed pointed at us by rail during that period. So we had to spend down the railcars per day rate and then you had to unwind that and spin it back up. Those are not instantaneous moves like they are with pipeline networks.

Roger David Read
Wells Fargo Securities, LLC, Research Division

The other question I have in recognizing the start-up issues with MRL, the seasonal factors, what's the expectation we should have for cash flow generation, bringing down probably working capital as we look here at the summer months? Just kind of thinking of the broader cash flow and free cash flow expectations.

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Roger, it's Bruce again. I would say, first of all, it's positive. You are recognizing that we built inventory, which cost us cash last year, and then I basically just said we're pulling it, which is correct. I think we're going to hit a normalized level, though or have had

a normalized level with the completion of pushing the old feed out. That's the old feed quality, the old feed price and the old feed volumes, right? So I don't think looking forward, we're planning to have working capital moving.

Roger David Read
Wells Fargo Securities, LLC, Research Division

I guess I was even meaning more for the broader Corporation.

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Okay. Apologies. I gave you the MRL answer. I'll get David to highlight.

Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

Maybe I'll just pile on here. I think the same is true for the whole organization, right? Most of the working capital buildup that was absorbed in Q1 was in Montana Renewables. It was a function of the old feed higher than normal inventory levels more expensive than we're seeing in the current market, and we had to pay for those feedstocks as they came in. So that's normalized. We also see rates increase pretty dramatically. And as rates increase sequentially, as we talked about, you have to replace those feedstocks and you're buying more ahead and all of that. So like Bruce said, I think we'll see a little bit of a working capital swing. We had too much on the balance sheet in Q1. We'll see a little bit of that come back in Q2, and we think reached a normalized level going forward after that.

Operator

Our next question comes from Saumya Jain from UBS.

Saumya Jain
UBS Investment Bank, Research Division

I guess are you seeing leverage associated with Montana in 2Q '24 and for the year in general? And how are you progressing on the debt reduction front.

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Hey Saumya, it's Bruce. I heard most of that. You were asking about Montana leverage and debt reduction. I'm going to let David and Todd tackle the corporate level debt positioning. Within the unrestricted subsidiary, the leverage is really going to be a function of the market margin. And Todd discussed how that is artificially low due to some EPA actions and we're expecting that to normalize. There's a lot of speculation in the industry about how fast it normalizes. And I don't think we have a better crystal ball than others, but we expect all of this is cleared out by the end of this year in terms of reversion to a normal market condition for renewables. And then for fossil, on the specialty asphalt side, 2Q and 3Q are normally most of the cash flow contribution for the year. This is a much more strongly seasonal market than trailing U.S. averages. So we're expecting that the sum of all of those things is a little uncertain as to timing, but is certainly normalized by late fall.

David Lunin
Executive VP & CFO of Calumet GP, LLC

Yeah. Saumya, if I can -- so you asked I think about leverage and indebtedness at MRL specifically. I don't think that there's any plan to add debt there and any kind of change to that capital structure will be coincidence with a DOE loan. And so I wouldn't expect anything there. I can't give guidance to anything that we may be doing as those kind of conversations are ongoing. So be patient with us there, but no expectation to take on kind of incremental debt there unless it's related to a DOE loan, MAX SAF expansion. And then at the broader level, Calumet focused on deleveraging. And so any cash from operations will be used to pay down debt at the parent and that's how we think about the deleveraging strategy for the consolidated group.

Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

As well as monetization from Montana Renewables when the time is right.

Operator

Our next question comes from Gregg Brody from Bank of America.

Gregg William Brody
BofA Securities, Research Division

I'm just going to ask, I don't know what you can say because you said you can't say too much, but the expansion project, is there much you can tell us there about the potential size? I think you also talked about at some point breaking out results for MRL. Is that something we should expect next quarter?

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Hey Gregg, it's Bruce. I'll start. And then in terms of breaking out the results, I'll pass that question. But on the MAX SAF, we've used an external placeholder of 18,000 barrels a day for a number of years now. We're very comfortable with that being at the floor or low end of what's going to be delivered. So I think we don't probably need to re-guide that this morning, but super comfortable with that 18,000 that's been out there for a while.

Louis Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

Yeah. And I think the expectation continues to be that will split out Montana Renewables going forward. David mentioned in the prepared remarks a little bit about kind of the EBITDA split in the segment. Obviously, can't give specific numbers, but the vast majority of loss in Q1 was from the legacy Montana asphalt business during the winter, which we expect to return and Montana Renewables should be split out separately in Q2.

Gregg William Brody
BofA Securities, Research Division

Got it. And then I know no one got to ask the RIN's question yet, so I'll come in with it. I know there was a reasonable -- I have some good news out of the Fifth Circuit. Can you just kind of update us what happened there and what's next?

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Bruce again, I will start this off and then see if anybody wants to fill in. So the whole industry is still working through the EPA's total reversal, of course, on their administration of this. Those actions begin in the federal district courts. Some of them have been consolidated into the D.C. circuit, but not all. And so in the Fifth Circuit, which is where our Shreveport operation lies, the current rule that EPA's reversal was not proper, it was contrary to law was contrary to the administrative record, and they remanded it back to the EPA for a deal offer. So we're basically waiting to hear from the EPA how they would like to proceed. The Montana business is in the DC circuit. It's one of the consolidated cases. Those oral arguments have been held, and we will all be awaiting a court determination. Our view is it's likely similar to the Fifth Circuit for the same reasons, but that would be speculating. And the lawyers tell us that, that's second half most likely when we get the published decision and the DC circuit. Does that help?

Gregg William Brody
BofA Securities, Research Division

Yes. And then just the Montana decision then we would go back to the EPA again if it went in your favor. Is that correct?

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Yeah. And again, this is not just Calumet. There's a lot of companies in the same bucket. It was actually in the 11th circuit involving some others and so on. So I think the stage is reasonably set for a statesman like gentle guidance that kind of pulls the parties all back together. And I do note that Senator Tester and Senator Young recently introduced a bill to clean some of this up about a month ago.

Gregg William Brody
BofA Securities, Research Division

And then just shifting gears to 2 deck questions. Just could you -- I know you repaid the inventory facility this quarter, the intermediary facility. Did that improve your borrowing base? Where does that stand as of today? And then just on the debt side, I've heard the answer to how you're going to address the 25s, but could you just remind us what the flexibility is to used cash from MRL to help you pay down debt there to the extent there is flexibility to do that?

David Lunin
Executive VP & CFO of Calumet GP, LLC

Yeah. So if you go back to last year, we actually had 3 inventory financing facilities, one at MRL, one at CMR and 1 at Shreveport. Just for completeness, the one at CMR, we added that inventory to the ABL. And then we refinanced -- this is last year, the Montana facility. And then the one that we refinanced that closed in mid-January was at our Shreveport facility. It works very similar to the prior one. I'd say it probably improved our liquidity marginally. So it wasn't kind of huge, but on the margin, it was kind of a better facility for us.

And then the second question, yeah, there is some ability for cash to come back to the parent. It is pretty clearly articulated, whether it be dividends on how we share that with our existing partner.

Gregg William Brody
BofA Securities, Research Division

Got it. And just to clarify on the borrowing base. What is the borrowing base today, what was it as of quarter end? Just trying to figure out what your liquidity is on that.

David Lunin
Executive VP & CFO of Calumet GP, LLC

Yeah. So liquidity finished the quarter at about \$212 million. The borrowing base was \$564 million, but the total facility size is about \$650 million. So it's well north of \$200 million of available liquidity.

Operator

Our next question comes from Jason Gabelman from Cowen.

Jason Daniel Gabelman
TD Cowen, Research Division

I want to first go on the monetization process of MRL. I think in the past you've kind of discussed it being a 2024 event, but just given some of your commentary on the near-term outlook for the renewable diesel margin environment, do you still see it being a 2024 event or do you see a better opportunity to maybe generate more proceeds if you push the monetization out a bit?

Louis Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

Hey Jason, it's Todd. I'll start, and let's see if Bruce adds on. We view it as an opportunity. We've been very clear that we want to monetize a portion of Montana Renewables. It's a piece of our overall deleveraging strategy for the organization. So that remains front and center. At the same time, there's no super urgency to go do something in the near term if the market is not supportive. So what we want to do is balance kind of the risk reward there, if you will. And if industry margins remain as low as they are and there's questions around the space and kind of the eyes of investors, and we're not getting proper value for the asset and then you're right, it would be silly to go out and transact in that environment. That being said, I think with a clean second quarter, we can prove the competitive advantage of Montana Renewables, differentiate ourselves in the space, start to see a little bit of index margin return. And as investors get more confident in not only renewable diesel, but ultimately, our first-mover position in SAF, you could see someone reach out and want to move sooner than that and not necessarily have to see the perfect industry margin for some amount of time. So we'll remain opportunistic on that. We're super focused on reducing debt. So we don't want to be overly greedy, but at the same time, we're focused on ultimately on shareholder value. So we will walk that balance.

Jason Daniel Gabelman
TD Cowen, Research Division

And then on the treasury recently released guidance around 40V, the SAF lenders tax credit through 2025. Just wondering how that impacts your ability could generate value under that SAF credit. I know there were some unique carve-outs for vegetable oil based feedstocks and you run a decent amount of canola oil at the site.

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

All of our SAF is produced from tallow.

Jason Daniel Gabelman
TD Cowen, Research Division

Okay. Under the MAX SAF case, would that also be true?

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

We can. The best way to think of the MAX SAF is a yield flexibility project. I want to make sure that our investors all understand, this is not some giant bifurcated decision where we either have diesel or SAF, we're going to be just like the petroleum refiner, we're going to be able to toggle between those 2 distillate products smoothly, flexibly, and we're going to follow the markets.

Jason Daniel Gabelman
TD Cowen, Research Division

Okay. But just to be clear, is your understanding for 40V that canola wouldn't generate much value if it was used to produce staff under the guidance from treasury?

David Lunin
Executive VP & CFO of Calumet GP, LLC

Jason, yeah. And I don't want to be cute here, but you're making an assumption on where we sold the SAF. I wouldn't make that assumption. The world has just set a SAF target in the very near term. Just between Singapore, U.K. and the EU, they have called 383 million gallons a year of SAF, which doesn't exist. So the way the trade flows rearranged is a speculative endeavor. The interest that we've got is very, very tactical. We share our border with Canada. That's Canadian canola we're talking about. In the summer, we've seen 50% of our production turn around and go back north. And the economics of that are going to have to overcome alternate dispositions. Now if the world calls for more mandated volume blending than SAF barrels exist, there's an implication for price in that. So we think that there's just going to be huge disconnects. We think there's going to be a lot of volatility in the emerging SAF market. We think there's some evidence governments are competing with each other to be the ones that get it. And then closer to home, a state mandate like the Illinois -- sorry, mandate is the wrong word, a state incentive like the Illinois SAF lender tax credit, that's \$1.50 a gallon. If you're an Illinois taxpayer and you can access it, which we are through other operations. So there's going to be a lot of duck feet paddling under the surface on this for some time to come.

Jason Daniel Gabelman
TD Cowen, Research Division

If I could just squeeze a third quick one in on the DOE loan process. I know you're limited in what you can say, but are you still providing information to the DOE at this point around the project or is it kind of fully in their hands in terms to make a determination?

Bruce Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

We moved into underwriting several months back. I'm reasonably confident we announced that. And that process is substantially advanced. I think I'm going to leave it there.

Operator

Our next question comes from Neil Mehta from Goldman Sachs.

Neil Singhvi Mehta
Goldman Sachs Group, Inc., Research Division

I really like that slide you showed on the cost curve for renewable diesel and biodiesel. And at current pricing, a lot of stuff is off that stack. So I just love your perspective of do you think we see industry rationalization here to help bring the market into balance if we don't get a firming up of LCFS and RINs, and we saw some evidence of that this week. But any perspective on that would be great.

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Sure. I'll start. A couple of things to keep in mind. So first of all, we're already seeing industry rationalization. We've had 4 biodiesel plant closures in the last 6 months. We've now amazingly got a renewable diesel producers switching back to fossil. These are not sustainable and a couple of things are going to happen. So we'll have more closures. We'll have the EPA reset the RVO, and we're

going to have crop prices continue to collapse. If you pull a history of a marker like the soybean oil priced off the Chicago board, that's fallen 50% in the last 18 months. These are going to draw a regulatory response somewhere. So the speculation is just who moves and when and how fast. But right now, to be clear, the EPA has set up a commission where the entire existing North American industry has to run something like 65% of utilization. That is absolutely going to sort out the players according to this cost stack.

Louis Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

I think what I'd add to that Neil, is to Bruce's point, we're well below where the fundamentals would show on the supply stack. So we haven't seen shutdowns happen as quickly as we would need to kind of balance out the curve. If you look at 4.5 billion gallons, you would say, hey, that should be set. Are that volumes met by large biodiesel? And the current index margin is much lower than it needed to generate cash by that group. One thing that we've heard quite a bit about is how hedging plays into this. When you think about a crop cycle and hedges that are going summer to summer, we have a little bit of probably irrationality and day-to-day decision-making, which as that rolls off, that group of people will have to make different economic decisions. And to Bruce's point on crop prices or an equal opposite reaction in any of the other margin elements would be needed or else we wouldn't see continued production there.

Neil Singhvi Mehta
Goldman Sachs Group, Inc., Research Division

And Todd, I appreciate the comments at the beginning about the importance of the C-Corp conversion. Certainly agree with that view. Can you just kind of share some investor perspectives on do you think that as you're going around and talking to folks, there's the potential for more engagement as you convert to C-Corp. And then remind us again what are the gating items to get there and is mid-2024 still the best stick to follow here.

Louis Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

Yeah, you bet. So yes, mid-2024 is still the time line. We've checked a lot of boxes along the process. It's been a very efficient process. We filed the S-4. So we'll get the final amendment out. We'll schedule a unitholder vote. And those are really the major 2 steps left to getting this done, which is what gives us confidence that it's kind of in the near term. As far as investor perspective, they've been quite positive and also eye-opening as to the restriction of the MLP. If we go back, we've done for some time that MLPs were out of favor. And that at some point in time, this decision would be ahead of the general partner and the conflicts committee, et cetera. I think what we probably didn't appreciate was just the amount of investors that are simply unable to invest in MLPs due to charter. So a lot of the institutions that we've talked to have said, we really like the Calumet story, have been following it generally. I know that it's a catalyst-driven story and also know that our supportive of the 2 long-term fundamental businesses and the growth trajectories. But we really haven't been able to invest in it. So I think they're off doing work and getting deeper into the name now. And they're not a magic bullet that happens on conversion day where all of a sudden, our trading liquidity quintuples or something. But we certainly do expect a combination of new institutional investors who otherwise couldn't have invested in before, but would like to coming into the name and the help that we'll get from just the passive indexes adding us. And those things have become quite big. 50% of the general equity market has held under passive strategies right now, which is just an astonishing amount of money, investment dollars that Calumet doesn't have access to.

Operator

And our next question comes from Amit Dayal from H.C. Wainwright.

Amit Dayal
H.C. Wainwright & Co, LLC, Research Division

With respect to the pressure on the index margins right now guys, how should we think about your utilization strategy for MRL for the near term, at least?

Bruce A. Fleming
Executive Vice President of Montana Renewables & Corporate Development of Calumet GP, LLC

Amit, it's Bruce. I'll simply point out that if we're the low-cost producer, we're going to run full.

Amit Dayal
H.C. Wainwright & Co, LLC, Research Division

Okay. Understood. That's what I was hoping to hear. And then with respect to 2Q performance, do you see MRL continuing to be a little bit of a drag on EBITDA levels or do you think you should see a little bit more support from MRL in the near term at least?

Todd Borgmann
Chief Executive Officer of Calumet GP, LLC

We think that it's going to continue to stay in the positive, right? What we saw in Q1, and we highlighted this through positive EBITDA in March was we saw continued strain in February and January from the old feed build-out and that started to change in March and continued into April. So we're certainly continuing to expect positive EBITDA contribution from Montana Renewables. Like we put out at the Analyst Day and reference to the supply stack, the quantum of that EBITDA is going to be a function of how the broader index margin improves. We think that our EBITDA is largely going to be about \$0.85 a gallon below the soybean index margin in the near term, and that's going to continue to improve over-time. So if we see an index margin stay where it is right now, we're certainly in positive EBITDA territory. And as it improves throughout the summer, our EBITDA will go with it. And like Bruce said, the most critical point is we're at the right place on the stack. So given that the market is lower than fundamentals should suggest that it will, the market is going to rationalize, which is what markets do. And ultimately, the amount of EBITDA that we're generating from this will continue to increase.

Operator

And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session. I'd like to turn the floor back over to John Kompa, Investor Relations for Calumet for any closing remarks.

John Kompa
Director of Investor Relations

Thanks, Jamie. And on behalf of the Calumet management team, I'd like to thank everyone for their time this morning and your continued interest in the company. Have a great weekend. Thank you again very much.

Operator

And ladies and gentlemen, with that, we'll conclude today's conference call. We thank you for attending today's presentation. You may now disconnect your lines.