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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33480

**CLEAN ENERGY FUELS CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**33-0968580**

(I.R.S. Employer Identification No.)

**4675 MacArthur Court, Suite 800, Newport Beach, CA 92660**

(Address of principal executive offices, including zip code)

**(949) 437-1000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	CLNE	The Nasdaq Select Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 30, 2020, there were 198,270,294 shares of the registrant's common stock, par value \$0.0001 per share, issued and outstanding.

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**CLEAN ENERGY FUELS CORP. AND SUBSIDIARIES**

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*Unless the context indicates otherwise, all references to “Clean Energy,” the “Company,” “we,” “us,” or “our” in this report refer to Clean Energy Fuels Corp. together with its consolidated subsidiaries.*

*This report contains forward-looking statements. See the cautionary note regarding these statements in Part I, Item 2.—Management’s Discussion and Analysis of Financial Condition and Results of Operations of this report.*

*We own registered or unregistered trademark or service mark rights to Redeem™, NGV Easy Bay™, Clean Energy™, Clean Energy Renewables™, and Clean Energy Cryogenics™. Although we do not use the “®” or “™” symbol in each instance in which one of our trademarks appears in this report, this should not be construed as any indication that we will not assert our rights thereto to the fullest extent under applicable law. Any other service marks, trademarks and trade names appearing in this report are the property of their respective owners.*

## PART I.—FINANCIAL INFORMATION

### Item 1.—Financial Statements (Unaudited)

#### Clean Energy Fuels Corp. and Subsidiaries

#### Condensed Consolidated Balance Sheets

(In thousands, except share and per share data; Unaudited)

	December 31, 2019	September 30, 2020
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and current portion of restricted cash	\$ 49,222	\$ 91,605
Short-term investments	56,929	530
Accounts receivable, net of allowance of \$2,412 and \$1,931 as of December 31, 2019 and September 30, 2020, respectively	61,760	52,904
Other receivables	84,898	23,152
Inventory	29,874	28,830
Prepaid expenses and other current assets	11,109	8,492
Derivative assets, related party	—	3,269
Total current assets	293,792	208,782
Operating lease right-of-use assets	28,627	26,567
Land, property and equipment, net	323,912	298,088
Long-term portion of restricted cash	4,000	4,000
Notes receivable and other long-term assets, net	31,622	28,453
Long-term portion of derivative assets, related party	3,270	6,570
Investments in other entities	26,305	25,985
Goodwill	64,328	64,328
Intangible assets, net	1,229	627
Total assets	<u>\$ 777,085</u>	<u>\$ 663,400</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of debt	\$ 56,013	\$ 6,126
Current portion of finance lease obligations	615	964
Current portion of operating lease obligations	3,359	3,189
Accounts payable	27,376	17,081
Accrued liabilities	67,697	50,202
Deferred revenue	7,338	1,720
Derivative liabilities, related party	164	—
Total current liabilities	162,562	79,282
Long-term portion of debt	32,872	29,047
Long-term portion of finance lease obligations	2,715	2,727
Long-term portion of operating lease obligations	26,206	24,008
Other long-term liabilities	9,701	4,867
Total liabilities	234,056	139,931
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value. 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.0001 par value. 304,000,000 shares authorized; 204,723,055 shares and 198,412,898 shares issued and outstanding as of December 31, 2019 and September 30, 2020, respectively	20	20
Additional paid-in capital	1,203,186	1,191,140
Accumulated deficit	(668,232)	(675,535)
Accumulated other comprehensive loss	(1,566)	(1,791)
Total Clean Energy Fuels Corp. stockholders' equity	533,408	513,834
Noncontrolling interest in subsidiary	9,621	9,635
Total stockholders' equity	543,029	523,469
Total liabilities and stockholders' equity	<u>\$ 777,085</u>	<u>\$ 663,400</u>

See accompanying notes to condensed consolidated financial statements.

**Clean Energy Fuels Corp. and Subsidiaries**

**Condensed Consolidated Statements of Operations**

**(In thousands, except share and per share data; Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
<b>Revenue:</b>				
Product revenue	\$ 62,808	\$ 60,310	\$ 190,947	\$ 186,438
Service revenue	11,626	10,576	33,503	30,328
Total revenue	74,434	70,886	224,450	216,766
<b>Operating expenses:</b>				
Cost of sales (exclusive of depreciation and amortization shown separately below):				
Product cost of sales	43,145	38,767	137,696	118,494
Service cost of sales	6,787	6,522	18,674	18,280
Change in fair value of derivative warrants	(10)	—	1,587	(40)
Selling, general and administrative	17,640	16,639	54,007	51,790
Depreciation and amortization	12,247	11,744	37,331	35,718
Total operating expenses	79,809	73,672	249,295	224,242
Operating loss	(5,375)	(2,786)	(24,845)	(7,476)
Interest expense	(1,704)	(1,009)	(5,437)	(5,060)
Interest income	560	427	1,707	1,081
Other income, net	165	919	2,928	3,381
Income (loss) from equity method investments	377	(11)	(123)	(368)
Loss before income taxes	(5,977)	(2,460)	(25,770)	(8,442)
Income tax expense	(68)	(79)	(194)	(235)
Net loss	(6,045)	(2,539)	(25,964)	(8,677)
Loss attributable to noncontrolling interest	1,711	268	5,301	1,374
Net loss attributable to Clean Energy Fuels Corp.	\$ (4,334)	\$ (2,271)	\$ (20,663)	\$ (7,303)
Net loss attributable to Clean Energy Fuels Corp. per share:				
Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.10)	\$ (0.04)
Weighted-average common shares outstanding:				
Basic and diluted	204,712,888	198,785,394	204,522,984	201,472,851

See accompanying notes to condensed consolidated financial statements.

**Clean Energy Fuels Corp. and Subsidiaries**

**Condensed Consolidated Statements of Comprehensive Loss**

**(In thousands; Unaudited)**

	<u>Clean Energy Fuels Corp.</u>		<u>Noncontrolling Interest</u>		<u>Total</u>	
	<u>Three Months Ended</u>		<u>Three Months Ended</u>		<u>Three Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Net loss	\$ (4,334)	\$ (2,271)	\$ (1,711)	\$ (268)	\$ (6,045)	\$ (2,539)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments, net of \$0 tax in 2019 and 2020	(623)	687	—	—	(623)	687
Unrealized gains (losses) on available-for-sale securities, net of \$0 tax in 2019 and 2020	5	(3)	—	—	5	(3)
Total other comprehensive income (loss)	(618)	684	—	—	(618)	684
Comprehensive loss	<u>\$ (4,952)</u>	<u>\$ (1,587)</u>	<u>\$ (1,711)</u>	<u>\$ (268)</u>	<u>\$ (6,663)</u>	<u>\$ (1,855)</u>
	<u>Clean Energy Fuels Corp.</u>		<u>Noncontrolling Interest</u>		<u>Total</u>	
	<u>Nine Months Ended</u>		<u>Nine Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Net loss	\$ (20,663)	\$ (7,303)	\$ (5,301)	\$ (1,374)	\$ (25,964)	\$ (8,677)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments, net of \$0 tax in 2019 and 2020	7	(227)	—	—	7	(227)
Unrealized gains on available-for-sale securities, net of \$0 tax in 2019 and 2020	73	2	—	—	73	2
Total other comprehensive income (loss)	80	(225)	—	—	80	(225)
Comprehensive loss	<u>\$ (20,583)</u>	<u>\$ (7,528)</u>	<u>\$ (5,301)</u>	<u>\$ (1,374)</u>	<u>\$ (25,884)</u>	<u>\$ (8,902)</u>

See accompanying notes to condensed consolidated financial statements.

**Clean Energy Fuels Corp. and Subsidiaries**

**Condensed Consolidated Statements of Stockholders' Equity**

(In thousands; except share data)

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Noncontrolling Interest in Subsidiary</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>					
Balance, December 31, 2018	203,599,892	\$ 20	\$ 1,198,769	\$ (688,653)	\$ (2,138)	\$ 17,011	\$ 525,009
Issuance of common stock	1,052,040	—	175	—	—	—	175
Stock-based compensation	—	—	1,246	—	—	—	1,246
Net loss	—	—	—	(10,946)	—	(1,879)	(12,825)
Other comprehensive income	—	—	—	—	374	—	374
Increase in ownership in subsidiary	—	—	228	—	—	(228)	—
Balance, March 31, 2019	204,651,932	20	1,200,418	(699,599)	(1,764)	14,904	513,979
Issuance of common stock	3,214	—	4	—	—	—	4
Stock-based compensation	—	—	918	—	—	—	918
Net loss	—	—	—	(5,383)	—	(1,711)	(7,094)
Other comprehensive income	—	—	—	—	324	—	324
Balance, June 30, 2019	204,655,146	20	1,201,340	(704,982)	(1,440)	13,193	508,131
Issuance of common stock	64,849	—	107	—	—	—	107
Stock-based compensation	—	—	892	—	—	—	892
Net loss	—	—	—	(4,334)	—	(1,711)	(6,045)
Other comprehensive loss	—	—	—	—	(618)	—	(618)
Balance, September 30, 2019	204,719,995	\$ 20	\$ 1,202,339	\$ (709,316)	\$ (2,058)	\$ 11,482	\$ 502,467

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Noncontrolling Interest in Subsidiary</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>					
Balance, December 31, 2019	204,723,055	\$ 20	\$ 1,203,186	\$ (668,232)	\$ (1,566)	\$ 9,621	\$ 543,029
Issuance of common stock	871,010	—	194	—	—	—	194
Repurchase of common stock	(2,810,449)	—	(4,244)	—	—	—	(4,244)
Stock-based compensation	—	—	1,054	—	—	—	1,054
Net income (loss)	—	—	—	1,704	—	(805)	899
Other comprehensive loss	—	—	—	—	(1,915)	—	(1,915)
Increase in ownership in subsidiary	—	—	(1,388)	—	—	1,388	—
Balance, March 31, 2020	202,783,616	20	1,198,802	(666,528)	(3,481)	10,204	539,017
Issuance of common stock	25,214	—	41	—	—	—	41
Repurchase of common stock	(3,302,050)	—	(6,406)	—	—	—	(6,406)
Stock-based compensation	—	—	760	—	—	—	760
Net loss	—	—	—	(6,736)	—	(301)	(7,037)
Other comprehensive income	—	—	—	—	1,006	—	1,006
Balance, June 30, 2020	199,506,780	20	1,193,197	(673,264)	(2,475)	9,903	527,381
Issuance of common stock	141,310	—	248	—	—	—	248
Repurchase of common stock	(1,235,192)	—	(3,013)	—	—	—	(3,013)
Stock-based compensation	—	—	708	—	—	—	708
Net loss	—	—	—	(2,271)	—	(268)	(2,539)
Other comprehensive income	—	—	—	—	684	—	684
Balance, September 30, 2020	198,412,898	\$ 20	\$ 1,191,140	\$ (675,535)	\$ (1,791)	\$ 9,635	\$ 523,469

See accompanying notes to condensed consolidated financial statements.

**Clean Energy Fuels Corp. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(In thousands; Unaudited)**

	Nine Months Ended September 30,	
	2019	2020
<b>Cash flows from operating activities:</b>		
Net loss	\$ (25,964)	\$ (8,677)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	37,331	35,718
Provision for credit losses and inventory	1,071	1,421
Stock-based compensation expense	3,056	2,522
Change in fair value of derivative instruments	4,854	(4,055)
Derivative settlement loss	(210)	—
Amortization of discount and debt issuance cost	(555)	(69)
Gain on disposal of property and equipment	(4,043)	(3,314)
Gain from sale of certain assets of subsidiary	—	(176)
Loss from equity method investments	123	368
Non-cash lease expense	2,597	2,060
Deferred income taxes	—	90
Changes in operating assets and liabilities:		
Accounts and other receivables	3,947	62,602
Inventory	2,799	437
Prepaid expenses and other assets	(4,593)	4,626
Operating lease liabilities	(3,053)	(2,368)
Accounts payable	(3,215)	(8,630)
Deferred revenue	(3,121)	(11,957)
Accrued liabilities and other	(6,421)	(17,476)
Net cash provided by operating activities	4,603	53,122
<b>Cash flows from investing activities:</b>		
Purchases of short-term investments	(138,260)	(45,293)
Maturities and sales of short-term investments	137,896	101,850
Purchases of and deposits on property and equipment	(12,252)	(9,985)
Loans made to customers	—	(40)
Payments on and proceeds from sales of loans receivable	556	1,442
Cash received from sale of certain assets of subsidiary, net	4,973	4,830
Investments in other entities	—	(150)
Proceeds from disposal of property and equipment	6,569	4,615
Net cash provided by (used in) investing activities	(518)	57,269
<b>Cash flows from financing activities:</b>		
Issuances of common stock	286	483
Repurchase of common stock	—	(13,663)
Proceeds from debt instruments	3,694	300
Repayments of debt instruments and finance lease obligations	(5,066)	(55,009)
Fees paid for debt issuance costs	(29)	—
Net cash used in financing activities	(1,115)	(67,889)
Effect of exchange rates on cash, cash equivalents and restricted cash	109	(119)
Net increase in cash, cash equivalents and restricted cash	3,079	42,383
Cash, cash equivalents and restricted cash, beginning of period	34,624	53,222
Cash, cash equivalents and restricted cash, end of period	<u>\$ 37,703</u>	<u>\$ 95,605</u>
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	<u>\$ 36</u>	<u>\$ 46</u>
Interest paid, net of \$391 and \$57 capitalized, respectively	<u>\$ 4,913</u>	<u>\$ 4,841</u>

See accompanying notes to condensed consolidated financial statements.

**Clean Energy Fuels Corp. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**Note 1—General**

***Nature of Business***

Clean Energy Fuels Corp., together with its majority and wholly owned subsidiaries (hereinafter collectively referred to as the “Company,” unless the context or the use of the term indicates or requires otherwise) is engaged in the business of selling renewable and conventional natural gas as alternative fuels for vehicle fleets and related fueling solutions to its customers, primarily in the United States and Canada.

The Company’s principal business is supplying renewable natural gas (“RNG”), compressed natural gas (“CNG”) and liquefied natural gas (“LNG”) (RNG can be delivered in the form of CNG or LNG) for medium and heavy-duty vehicles and providing operation and maintenance (“O&M”) services for public and private vehicle fleet customer stations. As a comprehensive solution provider, the Company also designs, builds, operates and maintains fueling stations; sells and services natural gas fueling compressors and other equipment used in CNG stations and LNG stations; offers assessment, design and modification solutions to provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets; transports and sells CNG and LNG via “virtual” natural gas pipelines and interconnects; procures and sells RNG; sells tradable credits it generates by selling RNG and conventional natural gas as a vehicle fuel, including Renewable Identification Numbers (“RIN Credits” or “RINs”) under the federal Renewable Fuel Standard Phase 2 and credits under the California and the Oregon Low Carbon Fuel Standards (collectively, “LCFS Credits”); helps its customers acquire and finance natural gas vehicles; and obtains federal, state and local credits, grants and incentives.

***Basis of Presentation***

The accompanying interim unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company’s consolidated financial position as of September 30, 2020, results of operations, comprehensive loss, and stockholders’ equity for the three and nine months ended September 30, 2019 and 2020, and cash flows for the nine months ended September 30, 2019 and 2020. All intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and nine month periods ended September 30, 2019 and 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any other interim period or for any future year.

Certain information and disclosures normally included in the notes to consolidated financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), but the resultant disclosures contained herein are in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as they apply to interim reporting. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2019 that are included in the Company’s Annual Report on Form 10-K filed with the SEC on March 10, 2020.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying condensed consolidated financial statements and these notes. Actual results could differ from those estimates and may result in material effects on the Company’s operating results and financial position. Significant estimates made in preparing the accompanying condensed consolidated financial statements include (but are not limited to) those related to revenue recognition, fair value measurements, goodwill and long-lived asset valuations and impairment assessments, income tax valuations and stock-based compensation expense.



### Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard amends the impairment model to utilize an expected loss methodology in place of the existing incurred loss methodology. The Company adopted this standard in the first quarter of 2020. Adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

### Recently Issued Accounting Pronouncements Pending Adoption

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This new standard clarifies and simplifies the accounting for income taxes, including guidance related to intraperiod tax allocation, the recognition of deferred tax liabilities for outside basis differences, the methodology for calculating income taxes in an interim period, and the application of income tax guidance to franchise taxes that are partially based on income. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted in any interim period within that year. The Company is currently evaluating the impact adoption of this ASU will have on its consolidated financial statements.

## Note 2—Revenue from Contracts with Customers

### Revenue Recognition Overview

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration to which it expects to be entitled in exchange for the goods or services. To achieve that core principle, a five-step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue allocated to each performance obligation when the Company satisfies the performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account for revenue recognition.

The Company is generally the principal in its customer contracts because it has control over the goods and services prior to transfer to the customer, and as such, revenue is recognized on a gross basis. Sales and usage-based taxes are excluded from revenues. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. The table below presents the Company's revenue disaggregated by revenue source (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2020	2019	2020
Volume-related <sup>(1)</sup>	\$ 67,869	\$ 57,127	\$ 208,667	\$ 182,417
Station construction sales	6,431	8,743	15,544	19,543
AFTC <sup>(2)</sup>	—	5,016	—	14,806
Other	134	—	239	—
Total revenue	\$ 74,434	\$ 70,886	\$ 224,450	\$ 216,766

<sup>(1)</sup> Includes changes in fair value of derivative instruments related to the Company's commodity swap and customer fueling contracts associated with the Company's *Zero Now* truck financing program. The amounts are classified as revenue because the Company's commodity swap contracts are used to economically offset the risk associated with the diesel-to-natural gas price spread resulting from customer fueling contracts under the Company's *Zero Now* truck financing program. See Note 6 for more information about these derivative instruments. For the three and nine months ended September 30, 2019, changes in the fair value of commodity swaps and customer fueling contracts amounted to a gain of \$1.1 million and a loss of \$3.3 million, respectively. For the three and nine months ended September 30, 2020, changes in the fair value of commodity swaps and customer fueling contracts amounted to a loss of \$0.1 million and a gain of \$4.0 million, respectively.

<sup>(2)</sup> Represents the federal alternative fuel excise tax credit that we refer to as "AFTC," which had previously expired but on December 20, 2019 was retroactively extended for vehicle fuel sales made beginning January 1, 2018 through December 31, 2020. See Note 19 for more information.

**Remaining Performance Obligations**

Remaining performance obligations represent the transaction price of customer orders for which the work has not been performed. As of September 30, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$15.2 million, which related to the Company's station construction sale contracts. The Company expects to recognize revenue on the remaining performance obligations under these contracts over the next 12 to 24 months.

For volume-related revenue, the Company has elected to apply an optional exemption, which waives the requirement to disclose the remaining performance obligation for revenue recognized through the 'right to invoice' practical expedient.

**Contract Balances**

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) in the accompanying condensed consolidated balance sheets.

As of December 31, 2019 and September 30, 2020, the Company's contract balances were as follows (in thousands):

	December 31, 2019	September 30, 2020
Accounts receivable, net	\$ 61,760	\$ 52,904
Contract assets - current	\$ 455	\$ 955
Contract assets - non-current	3,777	3,854
Contract assets - total	\$ 4,232	\$ 4,809
Contract liabilities - current	\$ 5,329	\$ 938
Contract liabilities - non-current	6,339	—
Contract liabilities - total	\$ 11,668	\$ 938

**Accounts Receivable, Net**

"Accounts receivable, net" in the accompanying condensed consolidated balance sheets includes amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. The Company maintains an allowance to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables, and economic conditions that may affect a customer's ability to pay.

**Contract Assets**

Contract assets include unbilled amounts typically resulting from the Company's station construction sale contracts, when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are classified as current or noncurrent based on the timing of billings. The current portion is included in "Prepaid expenses and other current assets" and the noncurrent portion is included in "Notes receivable and other long-term assets, net" in the accompanying condensed consolidated balance sheets.

### *Contract Liabilities*

Contract liabilities consist of billings in excess of revenue recognized from the Company's station construction sale contracts and payments received primarily from a customer of NG Advantage, LLC ("NG Advantage") in advance of the performance obligations and are classified as current or noncurrent based on when the related revenue is expected to be recognized. The current portion and noncurrent portion of contract liabilities are included in "Deferred revenue" and "Other long-term liabilities," respectively, in the accompanying condensed consolidated balance sheets.

Revenue recognized during the nine months ended September 30, 2019 related to the Company's contract liability balances as of December 31, 2018 was \$4.4 million. Revenue recognized during the nine months ended September 30, 2020 related to the Company's contract liability balances as of December 31, 2019 was \$4.8 million. In June 2020, the Company entered into a termination letter between NG Advantage and BP (as defined in Note 3) and paid \$7.8 million in satisfaction of the remaining performance obligations, resulting in a reduction of the Company's contract liability balance as of December 31, 2019 of \$7.0 million, and a net revenue impact of \$(0.8) million. Contract liabilities increased during the nine months ended September 30, 2020 as a result of billings in excess of revenue recognized and advance payments received from customers.

### **Note 3— Investments in Other Entities and Noncontrolling Interest in a Subsidiary**

#### ***SAFE&CEC S.r.l.***

On November 26, 2017, the Company, through its former subsidiary IMW Industries Ltd. (formerly known as Clean Energy Compression Corp.) ("CEC"), entered into an investment agreement with Landi Renzo S.p.A. ("LR"), an alternative fuels company based in Italy. Pursuant to the investment agreement, the Company and LR agreed to combine their respective natural gas compressor fueling systems manufacturing subsidiaries, CEC and SAFE S.p.A, in a new company, SAFE&CEC S.r.l. (such combination transaction is referred to as the "CEC Combination"). SAFE&CEC S.r.l. is focused on manufacturing, selling and servicing natural gas fueling compressors and related equipment for the global natural gas fueling market. As of the closing of the CEC Combination on December 29, 2017, the Company owns 49% of SAFE&CEC S.r.l. and LR owns 51% of SAFE&CEC S.r.l.

The Company accounts for its interest in SAFE&CEC S.r.l. using the equity method of accounting because the Company does not control SAFE&CEC S.r.l., but has the ability to exercise significant influence over SAFE&CEC S.r.l.'s operations. The Company recorded income of \$0.4 million and \$0.0 million from this investment for the three months ended September 30, 2019 and 2020, respectively, and a loss of \$0.0 million and \$0.4 million for the nine months ended September 30, 2019 and 2020, respectively. The Company had an investment balance in SAFE&CEC S.r.l. of \$23.7 million and \$23.2 million as of December 31, 2019 and September 30, 2020, respectively.

#### ***NG Advantage***

On October 14, 2014, the Company entered into a Common Unit Purchase Agreement ("UPA") with NG Advantage for a 53.3% controlling interest in NG Advantage. NG Advantage is engaged in the business of transporting CNG in high-capacity trailers to industrial and institutional energy users, such as hospitals, food processors, manufacturers and paper mills that do not have direct access to natural gas pipelines.

NG Advantage has entered into an arrangement with BP Products North America ("BP") for the supply, sale and reservation of a specified volume of CNG transportation capacity until March 2022. In June 2020, the Company paid BP \$7.8 million to terminate a portion of the forgoing arrangement. In connection with the arrangement, on February 28, 2018, the Company entered into a guaranty agreement with NG Advantage and BP pursuant to which the Company guarantees NG Advantage's payment obligations to BP in the event of default by NG Advantage under the supply arrangement, in an amount up to an aggregate of \$30.0 million plus related fees, which was reduced to \$15.0 million effective June 24, 2020. This guaranty is in effect until thirty days following the Company's notice to BP of its termination.

As of December 31, 2019, NG Advantage had an outstanding balance of \$26.7 million, plus accrued and unpaid interest, under the delayed draw convertible promissory note entered into with the Company in November 2019 (the

“November 2019 Convertible Note”). On February 6, 2020, the Company converted the outstanding principal and accrued interest under the November 2019 Convertible Note into common units of NG Advantage, resulting in an increase in the Company’s controlling interest in NG Advantage from 64.6% to 93.2%.

On February 29, 2020, NG Advantage issued to the Company 283,019 common units pursuant to the guaranty agreement entered in February 2018, which increased the Company’s controlling interest in NG Advantage to 93.3% as of September 30, 2020.

The Company recorded a loss attributable to the noncontrolling interest in NG Advantage of \$1.7 million and \$0.3 million for the three months ended September 30, 2019 and 2020, respectively, and \$5.3 million and \$1.4 million for the nine months ended September 30, 2019 and 2020, respectively. The value of the noncontrolling interest was \$9.6 million as of December 31, 2019 and September 30, 2020.

#### **Note 4—Cash, Cash Equivalents and Restricted Cash**

Cash, cash equivalents and restricted cash as of December 31, 2019 and September 30, 2020 consisted of the following (in thousands):

	December 31, 2019	September 30, 2020
Current assets:		
Cash and cash equivalents	\$ 49,207	\$ 91,590
Restricted cash - standby letters of credit	15	15
Total cash, cash equivalents and current portion of restricted cash	<u>\$ 49,222</u>	<u>\$ 91,605</u>
Long-term assets:		
Restricted cash - standby letters of credit	\$ 4,000	\$ 4,000
Total long-term portion of restricted cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>
Total cash, cash equivalents and restricted cash	<u>\$ 53,222</u>	<u>\$ 95,605</u>

The Company considers all highly liquid investments with maturities of three months or less on the date of acquisition to be cash equivalents.

The Company places its cash and cash equivalents with high credit quality financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) and Canadian Deposit Insurance Corporation (“CDIC”) limits. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. The amounts in excess of FDIC and CDIC limits were approximately \$47.9 million and \$90.3 million as of December 31, 2019 and September 30, 2020, respectively.

The Company classifies restricted cash as short-term and a current asset if the cash is expected to be used in operations within a year or to acquire a current asset. Otherwise, the restricted cash is classified as long-term.

#### **Note 5—Short-term Investments**

Short-term investments include available-for-sale debt securities and certificates of deposit. Available-for-sale debt securities are carried at fair value, inclusive of unrealized gains and losses. Unrealized gains and losses on available-for-sale debt securities are recognized in other comprehensive income, net of applicable income taxes. Gains or losses on sales of available-for-sale debt securities are recognized on the specific identification basis.

The Company reviews available-for-sale debt securities for declines in fair value below their cost basis each quarter and whenever events or changes in circumstances indicate that the cost basis of an asset may not be recoverable, and evaluates the current expected credit loss. This evaluation is based on a number of factors, including historical experience, market data, issuer-specific factors, economic conditions, and any changes to the credit rating of the security.

As of September 30, 2020, the Company has not recorded a credit loss related to available-for-sale debt securities and believes the carrying values for its available-for-sale debt securities are properly recorded.

Short-term investments as of December 31, 2019 consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Losses	Estimated Fair Value
Municipal bonds and notes	\$ 2,986	\$ —	\$ 2,986
Zero coupon bonds	33,919	—	33,919
Corporate bonds	19,509	(3)	19,506
Certificates of deposit	518	—	518
Total short-term investments	<u>\$ 56,932</u>	<u>\$ (3)</u>	<u>\$ 56,929</u>

Short-term investments as of September 30, 2020 consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value
Certificates of deposit	\$ 530	\$ —	\$ 530
Total short-term investments	<u>\$ 530</u>	<u>\$ —</u>	<u>\$ 530</u>

#### Note 6 - Derivative Instruments and Hedging Activities

In October 2018, the Company executed two commodity swap contracts with Total Gas & Power North America, an affiliate of TOTAL S.E. and THUSA (as defined in Note 12), for a total of 5.0 million diesel gallons annually from April 1, 2019 to June 30, 2024. These commodity swap contracts are used to manage diesel price fluctuation risks related to the natural gas fuel supply commitments the Company makes in its fueling agreements with fleet operators that participate in the *Zero Now* truck financing program. These contracts are not designated as accounting hedges and as a result, changes in the fair value of these derivative instruments are recognized in "Product revenue" in the accompanying condensed consolidated statements of operations.

The Company has entered into fueling agreements with fleet operators under the *Zero Now* truck financing program. The fueling agreements contain a pricing feature indexed to diesel, which the Company determined to be embedded derivatives and recorded at fair value at the time of execution, with the changes in fair value of the embedded derivatives recognized in "Product revenue" in the accompanying condensed consolidated statements of operations.

Derivatives and embedded derivatives as of December 31, 2019 consisted of the following (in thousands):

	Gross Amounts Recognized	Gross Amounts Offset	Net Amount Presented
<b>Assets:</b>			
Commodity swaps:			
Long-term portion of derivative assets, related party	\$ 3,270	\$ —	\$ 3,270
Fueling agreements:			
Prepaid expenses and other current assets	232	—	232
Notes receivable and other long-term assets, net	491	—	491
Total derivative assets	<u>\$ 3,993</u>	<u>\$ —</u>	<u>\$ 3,993</u>
<b>Liabilities:</b>			
Commodity swaps:			
Current portion of derivative liabilities, related party	\$ 164	\$ —	\$ 164
Fueling agreements:			
Accrued liabilities	42	—	42
Other long-term liabilities	39	—	39
Total derivative liabilities	<u>\$ 245</u>	<u>\$ —</u>	<u>\$ 245</u>

Derivatives and embedded derivatives as of September 30, 2020 consisted of the following (in thousands):

	Gross Amounts Recognized	Gross Amounts Offset	Net Amount Presented
<b>Assets:</b>			
Commodity swaps:			
Current portion of derivative assets, related party	\$ 3,269	\$ —	\$ 3,269
Long-term portion of derivative assets, related party	6,570	—	6,570
Fueling agreements:			
Prepaid expenses and other current assets	1	—	1
Notes receivable and other long-term assets, net	125	—	125
Total derivative assets	<u>\$ 9,965</u>	<u>\$ —</u>	<u>\$ 9,965</u>
<b>Liabilities:</b>			
Fueling agreements:			
Accrued liabilities	\$ 941	\$ —	\$ 941
Other long-term liabilities	1,261	—	1,261
Total derivative liabilities	<u>\$ 2,202</u>	<u>\$ —</u>	<u>\$ 2,202</u>

As of December 31, 2019 and September 30, 2020, the Company had a total volume on open commodity swap contracts of 21.9 million and 18.1 million diesel gallons, respectively, at a weighted-average price of approximately \$3.18 per gallon.

The following table reflects the weighted-average price of open commodity swap contracts as of December 31, 2019 and September 30, 2020, by year with associated volumes:

Year	December 31, 2019		September 30, 2020	
	Volumes (Diesel Gallons)	Weighted-Average Price per Diesel Gallon	Volumes (Diesel Gallons)	Weighted-Average Price per Diesel Gallon
2020	5,000,000	\$ 3.18	1,250,000	\$ 3.18
2021	5,000,000	\$ 3.18	5,000,000	\$ 3.18
2022	5,000,000	\$ 3.18	5,000,000	\$ 3.18
2023	5,000,000	\$ 3.18	5,000,000	\$ 3.18
2024	1,875,000	\$ 3.18	1,875,000	\$ 3.18

## Note 7—Fair Value Measurements

The Company follows the authoritative guidance for fair value measurements with respect to assets and liabilities that are measured at fair value on a recurring basis and non-recurring basis. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy consists of the following three levels: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The Company's available-for-sale debt securities and certificates of deposit are classified within Level 2 because they are valued using the most recent quoted prices for identical assets in markets that are not active and quoted prices for similar assets in active markets.

The Company used the income approach to value its outstanding commodity swap contracts and embedded derivatives in its fueling agreements under the *Zero Now* truck financing program (see Note 6). Under the income approach, the Company used a discounted cash flow ("DCF") model in which cash flows anticipated over the term of the contracts are discounted to their present value using an expected discount rate. The discount rate used for cash flows reflects the specific risks in spot and forward rates and credit valuation adjustments. This valuation approach is considered a Level 3 fair value measurement. The significant unobservable inputs used in the fair value measurement of the Company's derivative instruments are Ultra-Low Sulfur Diesel ("ULSD") forward prices and differentials from ULSD to Petroleum Administration for Defense District ("PADD") regions. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the ULSD forward prices is accompanied by a directionally opposite but less extreme change in the ULSD-PADD differential.

The Company estimated the fair value of its outstanding commodity swap contracts based on the following inputs as of December 31, 2019 and September 30, 2020:

Significant Unobservable Inputs	December 31, 2019		September 30, 2020	
	Input Range	Weighted Average	Input Range	Weighted Average
ULSD Gulf Coast Forward Curve	\$1.76 - \$1.88	\$ 1.81	\$1.26 - \$1.44	\$ 1.38
Historical Differential to PADD 3 Diesel	\$0.79 - \$1.16	\$ 0.91	\$0.81 - \$1.58	\$ 0.98
Historical Differential to PADD 5 Diesel	\$1.32 - \$2.30	\$ 1.78	\$1.42 - \$2.58	\$ 1.98

The Company estimated the fair value of embedded derivatives in its fueling agreements under the *Zero Now* truck financing program based on the following inputs as of December 31, 2019 and September 30, 2020:

Significant Unobservable Inputs	December 31, 2019		September 30, 2020	
	Input Range	Weighted Average	Input Range	Weighted Average
ULSD Gulf Coast Forward Curve	\$1.76 - \$1.88	\$ 1.81	\$1.26 - \$1.44	\$ 1.38
Historical Differential to PADD 3 Diesel	\$0.79 - \$1.16	\$ 0.91	\$0.81 - \$1.58	\$ 0.98
Historical Differential to PADD 5 Diesel	\$1.32 - \$2.30	\$ 1.78	\$1.42 - \$2.58	\$ 1.98

The Company's liability-classified warrants (or "derivative warrants"), which were issued by NG Advantage, are classified within Level 3 because the Company used the Black-Scholes option pricing model to estimate the fair value based on inputs that are not observable in any market. The warrants expired, unexercised, on July 2, 2020.

There were no transfers of assets or liabilities between Level 1, Level 2, or Level 3 of the fair value hierarchy as of December 31, 2019 or September 30, 2020.

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019 and September 30, 2020:

	December 31, 2019	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale securities <sup>(1)</sup> :				
Municipal bonds and notes	\$ 2,986	\$ —	\$ 2,986	\$ —
Zero coupon bonds	33,919	—	33,919	—
Corporate bonds	19,506	—	19,506	—
Certificates of deposit <sup>(1)</sup>	518	—	518	—
Commodity swap contracts <sup>(2)</sup>	3,270	—	—	3,270
Embedded derivatives <sup>(3)</sup>	723	—	—	723
<b>Liabilities:</b>				
Commodity swap contracts <sup>(2)</sup>	\$ 164	\$ —	\$ —	\$ 164
Embedded derivatives <sup>(3)</sup>	81	—	—	81
Warrants <sup>(4)</sup>	40	—	—	40
	September 30, 2020	Level 1	Level 2	Level 3
<b>Assets:</b>				
Certificates of deposit <sup>(1)</sup>	\$ 530	\$ —	\$ 530	\$ —
Commodity swap contracts <sup>(2)</sup>	9,839	—	—	9,839
Embedded derivatives <sup>(3)</sup>	126	—	—	126
<b>Liabilities:</b>				
Embedded derivatives <sup>(3)</sup>	\$ 2,202	\$ —	\$ —	\$ 2,202

(1) Included in "Short-term investments" in the accompanying condensed consolidated balance sheets. See Note 5 for more information.

(2) Included in "Derivative liabilities, related party" and "Long-term portion of derivative assets, related party" as of December 31, 2019, and "Derivative assets, related party" and "Long-term portion of derivative assets, related party" as of September 30, 2020, in the accompanying condensed consolidated balance sheets. See Note 6 for more information.

(3) Included in "Prepaid expenses and other current assets", "Notes receivable and other long-term assets, net", "Accrued liabilities" and "Other long-term liabilities" in the accompanying condensed consolidated balance sheets. See Note 6 for more information.

(4) Included in "Accrued liabilities" in the accompanying condensed consolidated balance sheet as of December 31, 2019. The warrants expired on July 2, 2020.



The following tables provide a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis as shown in the tables above that used significant unobservable inputs (Level 3), as well as the change in unrealized gains or losses for the periods included in earnings (in thousands):

	Assets: Commodity Swap Contracts	Assets: Embedded Derivatives	Liabilities: Commodity Swap Contracts	Liabilities: Embedded Derivatives	Liabilities: Warrants
Balance as of June 30, 2019	\$ 5,696	\$ 450	\$ —	\$ —	\$ (2,676)
Settlements, net	1	—	—	—	—
Total gain (loss)	976	152	—	—	10
Balance as of September 30, 2019	<u>\$ 6,673</u>	<u>\$ 602</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,666)</u>
Balance as of June 30, 2020	\$ 9,743	\$ 94	\$ —	\$ (1,924)	\$ —
Settlements, net	(534)	—	—	—	—
Total gain (loss)	630	32	—	(278)	—
Balance as of September 30, 2020	<u>\$ 9,839</u>	<u>\$ 126</u>	<u>\$ —</u>	<u>\$ (2,202)</u>	<u>\$ —</u>
Change in unrealized gain (loss) for the three months ended September 30, 2019 included in earnings	\$ 977	\$ 152	\$ —	\$ —	\$ 10
Change in unrealized gain (loss) for the three months ended September 30, 2020 included in earnings	\$ 96	\$ 32	\$ —	\$ (278)	\$ —
	Assets: Commodity Swap Contracts	Assets: Embedded Derivatives	Liabilities: Commodity Swap Contracts	Liabilities: Embedded Derivatives	Liabilities: Warrants
Balance as of December 31, 2018	\$ 10,332	\$ —	\$ —	\$ —	\$ (1,079)
Settlements, net	210	—	—	—	—
Total gain (loss)	(3,869)	602	—	—	(1,587)
Balance as of September 30, 2019	<u>\$ 6,673</u>	<u>\$ 602</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,666)</u>
Balance as of December 31, 2019	\$ 3,270	\$ 723	\$ (164)	\$ (81)	\$ (40)
Settlements, net	(1,011)	—	56	—	—
Total gain (loss)	7,580	(597)	108	(2,121)	40
Balance as of September 30, 2020	<u>\$ 9,839</u>	<u>\$ 126</u>	<u>\$ —</u>	<u>\$ (2,202)</u>	<u>\$ —</u>
Change in unrealized gain (loss) for the nine months ended September 30, 2019 included in earnings	\$ (3,659)	\$ 602	\$ —	\$ —	\$ (1,587)
Change in unrealized gain (loss) for the nine months ended September 30, 2020 included in earnings	\$ 6,569	\$ (597)	\$ 164	\$ (2,121)	\$ 40

#### **Other Financial Assets and Liabilities**

The carrying amounts of the Company's cash, cash equivalents and restricted cash, receivables and payables approximate fair value due to the short-term nature of those instruments. The carrying amounts of the Company's debt instruments approximated their respective fair values as of December 31, 2019 and September 30, 2020. The fair values of these debt instruments were estimated using a DCF analysis based on interest rates offered on loans with similar terms to borrowers of similar credit quality, which are Level 3 inputs. See Note 12 for more information about the Company's debt instruments.

### Note 8—Other Receivables

Other receivables as of December 31, 2019 and September 30, 2020 consisted of the following (in thousands):

	December 31, 2019	September 30, 2020
Loans to customers to finance vehicle purchases	\$ 653	\$ 386
Accrued customer billings	6,124	6,066
Fuel tax credits	69,585	14,994
Other	8,536	1,706
Total other receivables	<u>\$ 84,898</u>	<u>\$ 23,152</u>

### Note 9—Inventory

Inventory consists of raw materials and spare parts, work in process and finished goods and is stated at the lower of cost (first-in, first-out) or net realizable value. The Company evaluates inventory balances for excess quantities and obsolescence by analyzing estimated demand, inventory on hand, sales levels and other information, and reduces inventory balances to net realizable value for excess and obsolete inventory based on this analysis.

Inventory as of December 31, 2019 and September 30, 2020 consisted of the following (in thousands):

	December 31, 2019	September 30, 2020
Raw materials and spare parts	\$ 29,874	\$ 28,830
Total inventory	<u>\$ 29,874</u>	<u>\$ 28,830</u>

### Note 10—Land, Property and Equipment

Land, property and equipment, net as of December 31, 2019 and September 30, 2020 consisted of the following (in thousands):

	December 31, 2019	September 30, 2020
Land	\$ 3,476	\$ 3,476
LNG liquefaction plants	94,633	94,633
Station equipment	324,431	347,636
Trailers	79,477	79,670
Other equipment	101,655	86,921
Construction in progress	75,232	71,597
	<u>678,904</u>	<u>683,933</u>
Less accumulated depreciation	(354,992)	(385,845)
Total land, property and equipment, net	<u>\$ 323,912</u>	<u>\$ 298,088</u>

Included in "Land, property and equipment, net" are capitalized software costs of \$30.4 million and \$31.6 million as of December 31, 2019 and September 30, 2020, respectively. Accumulated amortization of the capitalized software costs is \$26.3 million and \$28.2 million as of December 31, 2019 and September 30, 2020, respectively.

The Company recorded amortization expense related to capitalized software costs of \$1.0 million and \$0.6 million for the three months ended September 30, 2019 and 2020, respectively, and \$3.1 million and \$1.9 million for the nine months ended September 30, 2019 and 2020, respectively.

As of September 30, 2019 and 2020, \$2.2 million and \$0.9 million, respectively, is included in "Accounts payable" and "Accrued liabilities," which amounts are related to purchases of property and equipment. These amounts are

excluded from the accompanying condensed consolidated statements of cash flows as they are non-cash investing activities.

#### Note 11—Accrued Liabilities

Accrued liabilities as of December 31, 2019 and September 30, 2020 consisted of the following (in thousands):

	December 31, 2019	September 30, 2020
Accrued alternative fuels incentives <sup>(1)</sup>	\$ 27,839	\$ 14,738
Accrued employee benefits	2,276	3,647
Accrued interest	220	310
Accrued gas and equipment purchases	11,383	9,724
Accrued property and other taxes	3,732	2,947
Accrued salaries and wages	9,105	7,711
Embedded derivatives	42	941
Other <sup>(2)</sup>	13,100	10,184
Total accrued liabilities	<u>\$ 67,697</u>	<u>\$ 50,202</u>

(1) Includes the amount of RINs, LCFS Credits and the amount of AFTC payable to third parties.

(2) No individual item in “Other” exceeds 5% of total current liabilities.

#### Note 12—Debt

Debt obligations as of December 31, 2019 and September 30, 2020 consisted of the following (in thousands):

	December 31, 2019		
	Principal Balance	Unamortized Debt Financing Costs	Balance, Net of Financing Costs
7.5% Notes	\$ 50,000	\$ 17	\$ 49,983
NG Advantage debt	33,898	192	33,706
SG Facility	4,400	—	4,400
Other debt	796	—	796
Total debt	89,094	209	88,885
Less amounts due within one year	(56,097)	(84)	(56,013)
Total long-term debt	<u>\$ 32,997</u>	<u>\$ 125</u>	<u>\$ 32,872</u>

  

	September 30, 2020		
	Principal Balance	Unamortized Debt Financing Costs	Balance, Net of Financing Costs
NG Advantage debt	\$ 30,057	\$ 147	\$ 29,910
SG Facility	4,700	—	4,700
Other debt	563	—	563
Total debt	35,320	147	35,173
Less amounts due within one year	(6,193)	(67)	(6,126)
Total long-term debt	<u>\$ 29,127</u>	<u>\$ 80</u>	<u>\$ 29,047</u>

#### 7.5% Notes

In June 2013, the Company issued notes (the “7.5% Notes”) to T. Boone Pickens and Green Energy Investment Holdings, LLC (“GEIH”) in the amount of \$150.0 million. The 7.5% Notes bore interest at the rate of 7.5% per annum and were convertible at the option of the holder into shares of the Company’s common stock at a conversion price of

\$15.80 per share (the “7.5% Notes Conversion Price”). Upon written notice to the Company, each holder of a 7.5% Note had the right to exchange all or any portion of the principal and accrued and unpaid interest under its 7.5% Notes for shares of the Company’s common stock at the 7.5% Notes Conversion Price. Additionally, subject to certain restrictions, the Company could force conversion of each 7.5% Note into shares of its common stock if such shares traded at a 40% premium to the 7.5% Notes Conversion Price for at least 20 trading days in any consecutive 30 trading day period.

The 7.5% Notes included customary events of default which, if any of them occurred, would permit or require the principal of, and accrued interest on, the 7.5% Notes to become, or to be declared, due and payable.

Prior to January 1, 2018, (i) the Company purchased \$25.0 million of the 7.5% Notes from Mr. Pickens, (ii) Mr. Pickens transferred the remaining balance of his 7.5% Notes to third parties, and (iii) GEIH transferred \$16.8 million in principal amount of its 7.5% Notes to third parties.

As of December 31, 2019, (i) GEIH held 7.5% Notes in an aggregate principal amount of \$32.9 million, and (ii) other third parties held 7.5% Notes in an aggregate principal amount of \$17.1 million, all of which were due June 14, 2020. In May 2020, the Company repaid the remaining \$50.0 million of 7.5% Notes and related accrued and unpaid interest thereon. No events of default under the 7.5% Notes had occurred as of the date such 7.5% Notes were paid in full.

### ***SG Credit Agreement***

On January 2, 2019, the Company entered into a term credit agreement (the “Credit Agreement”) with Société Générale, a company incorporated as a société anonyme under the laws of France (“SG”). The Credit Agreement provides for a term loan facility (the “SG Facility”) pursuant to which the Company may obtain, subject to certain conditions, up to \$100.0 million of loans (“SG Loans”) in support of its *Zero Now* truck financing program. Under the Credit Agreement, the Company is permitted to use the proceeds from the SG Loans solely to fund the incremental cost of trucks purchased or financed under the *Zero Now* truck financing program and related fees and expenses incurred by the Company in connection therewith. Interest on outstanding SG Loans accrues at a rate equal to LIBOR plus 1.30% per annum, and a commitment fee on any unused portion of the SG Facility accrues at a rate equal to 0.39% per annum. Interest and commitment fees are payable quarterly. The Company is required to make mandatory prepayments under the SG Facility equal to any amounts the Company receives for complete or partial refunds of the incremental cost of trucks purchased or financed under the *Zero Now* program, and the Company is generally permitted to make complete or partial voluntary prepayments under the SG Facility with prior written notice to SG without premium or penalty. The Credit Agreement includes certain representations, warranties and covenants by the Company and also provides for customary events of default which, if any of them occurs, would permit or require, among other things, the principal and accrued interest on the SG Loans to become or to be declared due and payable. Events of default under the Credit Agreement include, among others, nonpayment of principal and interest when due; violation of covenants; any default by the Company (whether or not resulting in acceleration) under any other agreement for borrowed money in excess of \$20.0 million; voluntary or involuntary bankruptcy; repudiation or assignment of the Guaranty by THUSA; or a change of control of the Company.

The Credit Agreement does not include financial covenants, and the Company has not provided SG with any security for its obligations under the Credit Agreement. As described below, THUSA has entered into the Guaranty to guarantee the Company’s payment obligations to SG under the Credit Agreement. As of September 30, 2020, the Company had \$4.7 million outstanding on the SG Facility and no events of defaults had occurred.

### ***TOTAL Credit Support Agreement***

On January 2, 2019, the Company entered into a credit support agreement (“CSA”) with Total Holdings USA Inc. (“THUSA”), a wholly owned subsidiary of TOTAL S.E. Under the CSA, THUSA agreed to enter into a guaranty agreement (“Guaranty”) pursuant to which it has guaranteed the Company’s obligation to repay to SG up to \$100.0 million in SG Loans and interest thereon in accordance with the Credit Agreement. In consideration for the commitments of THUSA under the CSA, the Company is required to pay THUSA a quarterly guaranty fee at a rate per quarter equal to 2.5% of the average aggregate SG Loan amount for the preceding calendar quarter.

Following any payment by THUSA to SG under the Guaranty, the Company would be obligated to immediately pay to THUSA the full amount of such payment plus interest on such amount at a rate equal to LIBOR plus 1.0%. In addition, the Company would be obligated to pay and reimburse THUSA for all reasonable out-of-pocket expenses it incurs in the performance of its services under the CSA, including all reasonable out-of-pocket attorneys' fees and expenses incurred in connection with the payment to SG under the Guaranty or any enforcement or attempt to enforce any of the Company's obligations under the CSA. The CSA includes customary representations and warranties and affirmative and negative covenants by the Company. In addition, upon the occurrence of a "Trigger Event" and during its continuation, THUSA may, among other things: elect not to guarantee additional SG Loans; declare all or any portion of the outstanding amounts the Company owes THUSA under the CSA to be due and payable; and exercise all other rights it may have under applicable law. Each of the following events constitutes a Trigger Event: the Company defaults with respect to any payment obligation under the CSA; any representation or warranty made by the Company in the CSA was false, incorrect, incomplete or misleading in any material respect when made; the Company fails to observe or perform any material covenant, obligation, condition or agreement in the CSA; or the Company defaults in the observance or performance of any agreement, term or condition contained in any other agreement with THUSA or an affiliate of THUSA.

As security for the Company's obligations under the CSA, on January 2, 2019, the Company entered into a pledge and security agreement with THUSA and delivered a collateral assignment of contracts to THUSA, pursuant to which the Company collaterally assigned to THUSA all fueling agreements it enters into with participants in the *Zero Now* truck financing program. In addition, on January 2, 2019, the Company entered into a lockbox agreement with THUSA and Plains, under which the Company granted THUSA a security interest in the cash flow generated by the fueling agreements the Company enters into with participants in the *Zero Now* truck financing program.

Until the occurrence of a Trigger Event or Fundamental Trigger Event (as described below) under the CSA, the Company has the freedom to operate in the normal course and there are no restrictions on the flow of funds in and out of the lockbox account established pursuant to the lockbox agreement. Upon the occurrence of a Trigger Event under the CSA, all funds in the lockbox account will be: first, used to make scheduled debt repayments under the Credit Agreement; and second, released to the Company. Further, upon the occurrence of a "Fundamental Trigger Event" under the CSA and during its continuation, in addition to exercising any of the remedies available to THUSA upon the occurrence of a Trigger Event as described above: all participants in the *Zero Now* program would pay amounts owed under their fueling agreements with the Company directly into the lockbox account; under a "sweep" mechanism, all cash in the lockbox account would be used to prepay all outstanding SG Loans under the Credit Agreement; no other disbursements from the lockbox account could be made without THUSA's consent; and THUSA would retain dominion over the lockbox account and the funds in the account would remain as security for the Company's payment and reimbursement obligations under the CSA. Each of the following events constitutes a Fundamental Trigger Event: the Company defaults in the observance or performance of any agreement, term or condition contained in the Credit Agreement that would constitute an event of default thereunder, up to or beyond any grace period provided in such agreement, unless waived by SG; the Company defaults in the observance or performance of any agreement, term or condition contained in any evidence of indebtedness other than the Credit Agreement, and the effect of such default is to cause, or permit the holders of such indebtedness to cause, acceleration of indebtedness in an aggregate amount for all such collective defaults of \$20.0 million or more; voluntary and involuntary bankruptcy and insolvency events; and the occurrence of a change of control of the Company.

The CSA will terminate following the later of: the payment in full of all of the Company's obligations under the CSA; and the termination or expiration of the Guaranty following the maturity date of the last outstanding SG Loan or December 31, 2023, whichever is earlier.

#### ***NG Advantage Debt***

On May 12, 2016 and January 24, 2017, respectively, NG Advantage entered into a Loan and Security Agreement (the "Commerce LSA") with Commerce Bank & Trust Company ("Commerce"), pursuant to which Commerce agreed to lend NG Advantage \$6.3 million and \$6.2 million, respectively. The proceeds were primarily used to fund the purchases of CNG trailers and equipment. Interest and principal for both loans are payable monthly in 84 equal monthly installments at an annual rate of 4.41% and 5.0%, respectively. As collateral security for the prompt payment in full when due of NG Advantage's obligations to Commerce under the Commerce LSA, NG Advantage pledged to and granted Commerce a

security interest in all of its right, title and interest in the CNG trailers and equipment purchased with the proceeds received under the Commerce LSA.

On November 30, 2016, NG Advantage entered into a Loan and Security Agreement (the “Wintrust LSA”) with Wintrust Commercial Finance (“Wintrust”), pursuant to which Wintrust agreed to lend NG Advantage \$4.7 million. The proceeds were primarily used to fund the purchases of CNG trailers and equipment. Interest and principal are payable monthly in 72 equal monthly installments at an annual rate of 5.17%. As collateral security for the prompt payment in full when due of NG Advantage’s obligations to Wintrust under the Wintrust LSA, NG Advantage pledged to and granted Wintrust a security interest in all of its right, title and interest in the CNG trailers and equipment purchased with the proceeds received under the Wintrust LSA.

#### *Financing Obligations*

NG Advantage has entered into sale and leaseback transactions with various lessors as described below. In each instance, the sale and leaseback transaction does not qualify for sale-leaseback accounting because of NG Advantage’s continuing involvement with the buyer-lessor due to a fixed price repurchase option. As a result, the transactions are recorded under the financing method, in which the assets remain on the accompanying condensed consolidated balance sheets and the proceeds from the transactions are recorded as financing liabilities.

On December 18, 2017, NG Advantage entered into a sale-leaseback arrangement through a Master Lease Agreement (the “BoA MLA”) with Bank of America Leasing & Capital, LLC (“BoA”). Pursuant to the BoA MLA, NG Advantage received \$2.1 million in cash for CNG trailers and simultaneously leased them back from BoA for five years commencing January 1, 2018 with interest and principal payable in 60 equal monthly installments at an annual rate of 4.86%.

On March 1, 2018, NG Advantage entered into a sale-leaseback arrangement through a Master Lease Agreement (the “First National MLA”) with First National Capital, LLC (“First National”). Pursuant to the First National MLA, NG Advantage received \$6.3 million in cash, net of fees and the first month’s lease payment for CNG trailers and simultaneously leased them back from First National for six years commencing March 1, 2018 with interest and principal payable in 72 equal monthly installments at an annual rate of 9.28%.

On December 20, 2018 (the “Closing Date”), NG Advantage entered into a purchase agreement to sell a compression station for a purchase price of \$7.0 million to an entity whose member owners were noncontrolling interest member owners of NG Advantage. On the Closing Date and immediately following the consummation of the sale of the compression station, NG Advantage entered into a lease agreement with the buyer of the station (the “Lease”) pursuant to which the station was leased back to NG Advantage for a term of five years with monthly rent payments equal to \$0.1 million at an annual rate of 12.0%. Of the purchase price, NG Advantage received \$4.7 million in cash, net of fees, the first month’s lease payment, and the repayment of a \$2.0 million promissory note from one of the member owners of the buyer, which was issued on November 19, 2018.

On January 17, 2019, NG Advantage entered into a sale-leaseback arrangement through a Master Lease Agreement (the “Nations MLA”) with Nations Fund I, LLC (“Nations”). Pursuant to the Nations MLA, NG Advantage received \$3.4 million in cash, net of the first month’s lease payment, for CNG trailers and simultaneously leased them back from Nations for four years commencing February 1, 2019 with interest and principal payable in 48 equal monthly installments at an annual rate of 9.18%.

In October 2019, NG Advantage entered into a sale-leaseback agreement, pursuant to which it sold compression equipment for a purchase price of \$7.5 million and simultaneously leased it back for a term of five years with interest and principal payable in equal monthly installments at an annual rate of 10.47%. Of the purchase price, NG Advantage received \$5.3 million in cash and \$2.2 million was held as a security deposit.

#### *Other Debt*

As of September 30, 2020, the Company has other debt due through May 2023 bearing interest at 4.75%.

### Note 13—Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing the net income (loss) attributable to Clean Energy Fuels Corp. by the weighted-average number of common shares outstanding and common shares issuable for little or no cash consideration during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to Clean Energy Fuels Corp. by the weighted-average number of common shares outstanding and common shares issuable for little or no cash consideration during the period and potentially dilutive securities outstanding during the period, and therefore reflects the dilution from common shares that may be issued upon exercise or conversion of these potentially dilutive securities, such as stock options, warrants, convertible notes and restricted stock units. The dilutive effect of stock awards and warrants is computed under the treasury stock method. The dilutive effect of convertible notes and restricted stock units is computed under the if-converted method. Potentially dilutive securities are excluded from the computations of diluted net income (loss) per share if their effect would be antidilutive.

The following table sets forth the computations of basic and diluted earnings (loss) per share for the three and nine months ended September 30, 2019 and 2020 (in thousands except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2020	2019	2020
Net loss attributable to Clean Energy Fuels Corp.	\$ (4,334)	\$ (2,271)	\$ (20,663)	\$ (7,303)
Weighted-average common shares outstanding	204,712,888	198,785,394	204,522,984	201,472,851
Dilutive effect of potential common shares from restricted stock units and stock options	—	—	—	—
Weighted-average common shares outstanding - diluted	204,712,888	198,785,394	204,522,984	201,472,851
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.10)	\$ (0.04)

The following potentially dilutive securities have been excluded from the diluted net income (loss) per share calculations because their effect would have been antidilutive. Although these securities were antidilutive for these periods, they could be dilutive in future periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2020	2019	2020
Stock options	10,051,402	9,434,211	10,051,402	9,434,211
Convertible notes	3,164,557	—	3,164,557	1,486,418
Restricted stock units	1,257,873	988,980	1,257,873	988,980
Total	14,473,832	10,423,191	14,473,832	11,909,609

### Note 14—Stock-Based Compensation

The following table summarizes the compensation expense and related income tax benefit related to the Company's stock-based compensation arrangements recognized in the accompanying condensed consolidated statements of operations during the three and nine months ended September 30, 2019 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2020	2019	2020
Stock-based compensation expense, net of \$0 tax in 2019 and 2020	\$ 892	\$ 708	\$ 3,056	\$ 2,522

As of September 30, 2020, there was \$3.3 million of total unrecognized compensation costs related to unvested shares subject to outstanding stock options and restricted stock units, which is expected to be expensed over a weighted-average period of approximately 1.5 years.



In May 2020, the Company adopted its Amended and Restated 2016 Performance Incentive Plan (“Amended 2016 Plan”), which increased the aggregate number of shares of the Company’s common stock to be delivered pursuant to all awards granted under the 2016 Performance Incentive Plan by an additional 17,500,000 shares, and became effective on May 18, 2020, the date of approval of the Amended 2016 Plan by the Company’s stockholders.

#### **Note 15—Stockholders’ Equity**

##### ***Share Repurchase Program***

On March 12, 2020, the Company’s Board of Directors approved a share repurchase program of up to \$30.0 million (exclusive of fees and commissions) of the Company’s outstanding common stock (the “Repurchase Program”). The Repurchase Program does not have an expiration date, and it may be suspended or discontinued at any time. As of September 30, 2020, the Company had utilized \$13.5 million under the Repurchase Program to repurchase 7,347,691 shares of its common stock for a total cost of \$13.7 million. The Repurchase Program does not obligate the Company to acquire any specific number of shares. Repurchases under the Repurchase Program may be effected from time to time through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated share repurchase transactions, or other methods of acquiring shares, in each case subject to market conditions, applicable securities laws and other relevant factors. Repurchases may also be made under Rule 10b5-1 plans.

#### **Note 16—Income Taxes**

The provision for income taxes for interim periods is determined using an estimate of the Company’s annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the Company updates the estimate of the annual effective tax rate, and if the estimated tax rate changes, a cumulative adjustment is recorded.

The Company’s income tax expense was \$0.1 million for each of the three months ended September 30, 2019 and 2020, and \$0.2 million for each of the nine months ended September 30, 2019 and 2020. Tax expense for all periods consists of taxes due on the Company’s U.S. and foreign operations. The effective tax rates for the three and nine months ended September 30, 2019 and 2020 are different from the federal statutory tax rate primarily due to losses for which no tax benefit has been recognized.

The Company increased its liability for unrecognized tax benefits in the nine months ended September 30, 2020 by \$1.7 million. This increase is the portion of AFTC revenue recognized in the period attributed to the federal fuel tax the Company collected from its customers during the nine months ended September 30, 2020. The net interest incurred was immaterial for both the nine months ended September 30, 2019 and 2020.

#### **Note 17—Commitments and Contingencies**

##### ***Environmental Matters***

The Company is subject to federal, state, local and foreign environmental laws and regulations. The Company does not anticipate any expenditures to comply with such laws and regulations that would have a material effect on the Company’s consolidated financial position, results of operations or liquidity. The Company believes that its operations comply, in all material respects, with applicable federal, state, local and foreign environmental laws and regulations.

##### ***Litigation, Claims and Contingencies***

The Company may become party to various legal actions that arise in the ordinary course of its business. The Company is also subject to audit by tax and other authorities for varying periods in various federal, state, local and foreign jurisdictions, and disputes may arise during the course of these audits. It is impossible to determine the ultimate liabilities that the Company may incur resulting from any of these lawsuits, claims, proceedings, audits, commitments, contingencies and related matters or the timing of these liabilities, if any. If these matters were to ultimately be resolved unfavorably, it is possible that such an outcome could have a material adverse effect upon the Company’s consolidated financial position,



results of operations, or liquidity. The Company does not, however, anticipate such an outcome and believes the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

## Note 18—Leases

### *Lessor Accounting*

The Company leases fueling station equipment to customers pursuant to agreements that contain an option to extend and an end-of-term purchase option. Receivables from these leases are accounted for as finance leases, specifically sales-type leases, and are included in "Other receivables" and "Notes receivable and other long-term assets, net" in the accompanying condensed consolidated balance sheets.

The Company recognizes the net investment in the lease as the sum of the lease receivable and the unguaranteed residual value, both of which are measured at the present value using the interest rate implicit in the lease.

During the three months ended September 30, 2019 and 2020, the Company recognized \$0.0 million and \$0.1 million, respectively, in "Interest income" on its lease receivables. During the nine months ended September 30, 2019 and 2020, the Company recognized \$0.1 million and \$0.4 million, respectively, in "Interest income" on its lease receivables.

The following schedule represents the Company's maturities of lease receivables as of September 30, 2020 (in thousands):

Fiscal year:		
Remainder of 2020	\$	350
2021		1,402
2022		1,182
2023		962
2024		962
Thereafter		4,320
Total minimum lease payments		9,178
Less amount representing interest		(2,472)
Present value of lease receivables	\$	6,706

## Note 19—Alternative Fuel Excise Tax Credit

Under separate pieces of U.S. federal legislation, the Company has been eligible to receive the AFTC for its natural gas vehicle fuel sales made between October 1, 2006 and September 30, 2020. On December 20, 2019, the AFTC, which had previously expired, was retroactively reinstated and extended beginning January 1, 2018 through December 31, 2020. The AFTC is equal to \$0.50 per gasoline gallon equivalent of CNG that the Company sold as vehicle fuel, and \$0.50 per diesel gallon of LNG that the Company sold as vehicle fuel in 2019 and 2020.

Based on the service relationship with its customers, either the Company or its customers claim the credit. The Company records its AFTC, if any, as revenue in its condensed consolidated statements of operations because the credits are fully payable to the Company and do not offset income tax liabilities. As such, the credits are not deemed income tax credits under the accounting guidance applicable to income taxes.

As a result of the most recent legislation authorizing AFTC being signed into law on December 20, 2019, all AFTC revenue for vehicle fuel the Company sold in the 2018 and 2019 calendar years, totaling \$47.1 million, was recognized during the three months ended December 31, 2019. During the three and nine months ended September 30, 2020, the Company recognized AFTC revenue of \$5.0 million and \$14.8 million, respectively, for vehicle fuel the Company sold during each of these periods. AFTC is available through December 31, 2020 and may not be reinstated for vehicle fuel sales made after that date.

## **Note 20—Related Party Transactions**

### ***TOTAL S.E.***

During the three and nine months ended September 30, 2019, the Company recognized revenue of \$0.0 million and \$1.7 million, respectively, related to RINs sold to TOTAL S.E. and its affiliates (“TOTAL”) in the ordinary course of business. During the three and nine months ended September 30, 2020, the Company recognized revenue of \$2.6 million and \$5.3 million, respectively, related to RINs and LNG sold to TOTAL in the ordinary course of business and settlements on commodity swap contracts (Note 6). As of December 31, 2019 and September 30, 2020, the Company had receivables from TOTAL of zero and \$1.0 million, respectively.

During the three and nine months ended September 30, 2019, the Company paid TOTAL \$0.4 million and \$0.9 million for expenses incurred in the ordinary course of business and settlements on commodity swap contracts (Note 6). During the three and nine months ended September 30, 2020, the Company paid TOTAL \$0.1 million and \$0.5 million, respectively, for expenses incurred in the ordinary course of business, settlements on commodity swap contracts (Note 6), and the guaranty fee under the CSA (Note 12). As of December 31, 2019 and September 30, 2020, the amount due to TOTAL was immaterial.

### ***SAFE&CEC S.r.l.***

During the three and nine months ended September 30, 2019, the Company received \$0.0 million and \$0.2 million, respectively, from SAFE&CEC S.r.l. in the ordinary course of business. During the three and nine months ended September 30, 2020, the Company received \$0.2 million and \$1.2 million, respectively, from SAFE&CEC S.r.l. in the ordinary course of business. As of December 31, 2019 and September 30, 2020, the Company had receivables from SAFE&CEC S.r.l. of \$0.9 million and \$0.1 million, respectively.

During the three and nine months ended September 30, 2019, the Company paid SAFE&CEC S.r.l. \$0.6 million and \$2.1 million, respectively, for parts and equipment in the ordinary course of business. During the three and nine months ended September 30, 2020, the Company paid SAFE&CEC S.r.l. \$1.5 million and \$4.3 million, respectively, for parts and equipment in the ordinary course of business. As of December 31, 2019 and September 30, 2020, the Company had payables to SAFE&CEC S.r.l. of \$0.8 million and \$0.5 million, respectively.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (this discussion, as well as discussions under the same heading in our other periodic reports, are referred to as the “MD&A”) should be read together with our unaudited condensed consolidated financial statements and the related notes included in this report, and all cross references to notes included in this MD&A refer to the identified note in such condensed consolidated financial statements. For additional context with which to understand our financial condition and results of operations, refer to the MD&A included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019, which was filed with the Securities and Exchange Commission (“SEC”) on March 10, 2020, as well as the audited consolidated financial statements and notes included therein (collectively, our “2019 Form 10-K”).

### **Cautionary Note Regarding Forward-Looking Statements**

*This MD&A and the other disclosures in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are statements other than historical facts. These statements relate to future events or circumstances or our future performance, and they are based on our current assumptions, expectations and beliefs concerning future developments and their potential effect on our business. In some cases, you can identify forward-looking statements by the following words: “if,” “may,” “might,” “shall,” “will,” “can,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “goal,” “objective,” “initiative,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “forecast,” “potential,” “continue,” “ongoing” or the negative of these terms or other comparable terminology, although the absence of these words does not mean that a statement is not forward-looking. The*

*forward-looking statements we make in this discussion include statements about, among other things, our future financial and operating performance, our growth strategies and anticipated trends in our industry and our business. Although the forward-looking statements we make reflect our good faith judgment based on available information, they are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Factors that might cause or contribute to such differences include, among others, those discussed under "Risk Factors" in Item 1A of this report. In addition, we operate in a competitive and rapidly evolving industry in which new risks emerge from time to time, and it is not possible for us to predict all of the risks we may face, nor can we assess the effect of all factors on our business or the extent to which any factor or combination of factors could cause actual results to differ from our expectations. As a result of these and other potential risks and uncertainties, our forward-looking statements should not be relied on or viewed as guarantees of future events. All of our forward-looking statements in this report are made only as of the date of this document and, except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason, including to conform these statements to actual results or to changes in our expectations.*

## Overview

We are North America's leading provider of the cleanest fuel for the transportation market, based on the number of stations operated and the amount of gasoline gallon equivalents ("GGEs") of renewable natural gas ("RNG"), compressed natural gas ("CNG") and liquefied natural gas ("LNG") delivered. Through our sales of Redeem™ RNG, which is derived from biogenic methane produced by the breakdown of organic waste, we help thousands of vehicles, from airport shuttles to city buses to waste and heavy-duty trucks, to reduce their amount of climate-harming greenhouse gas by at least 70% and up to 300% depending on the source of the RNG feedstock while also reducing criteria pollutants such as Oxides of Nitrogen (NOx). Redeem RNG is delivered as CNG and LNG.

Our principal business is supplying RNG, CNG and LNG for medium and heavy-duty vehicles and providing operation and maintenance ("O&M") services for public and private vehicle fleet customer stations. As a comprehensive solution provider, we also design, build, operate and maintain fueling stations; sell and service natural gas fueling compressors and other equipment used in CNG stations and LNG stations; offer assessment, design and modification solutions to provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets; transport and sell CNG and LNG via "virtual" natural gas pipelines and interconnects; procure and sell RNG; sell tradable credits we generate by selling RNG and conventional natural gas as a vehicle fuel, including Renewable Identification Numbers ("RIN Credits" or "RINs") under the federal Renewable Fuel Standard Phase 2 and credits under the California and the Oregon Low Carbon Fuel Standards (collectively "LCFS Credits"); help our customers acquire and finance natural gas vehicles; and obtain federal, state and local credits, grants and incentives. In addition, before March 31, 2017, we produced RNG at our own production facilities (which we sold, along with certain of our other RNG production assets to BP Products North America ("BP"), in a transaction we refer to as the "BP Transaction"), and before December 29, 2017, we manufactured natural gas fueling compressors and other equipment used in CNG stations (which we combined with Landi Renzo S.p.A.'s natural gas fueling compressor manufacturing business in a newly formed company, SAFE&CEC S.r.l., in a transaction we refer to as the "CEC Combination").

We serve fleet vehicle operators in a variety of markets, including heavy-duty trucking, airports, refuse, public transit, and government fleets. We believe these fleet markets will continue to present a growth opportunity for natural gas vehicle fuel for the foreseeable future. As of September 30, 2020, we served over 1,000 fleet customers operating over 48,000 natural gas vehicles, and we currently own, operate or supply approximately 550 natural gas fueling stations in 41 states in the United States and five provinces in Canada. We also provide fuel and services to industrial and institutional energy users.

## Impact of COVID-19

The COVID-19 pandemic has resulted, and is likely to continue to result, in significant economic disruption and has adversely affected and will likely continue to adversely affect our business. Our operations have been designated "essential critical infrastructure work" in the energy sector by the U.S. Department of Homeland Security, meaning that we have been able to continue operating to the fullest extent possible. While continuing our business operations, we are

focused on protecting the health and wellbeing of our employees, customers and the communities in which we operate. Beginning on March 16, 2020, the vast majority of our employees transitioned to remote working arrangements. Importantly, this did not result in any adverse effects to our operations, including financial reporting systems, internal control over financial reporting and disclosure controls and procedures. Additionally, our technicians and O&M services continued to operate effectively, and we believe our supply chain has not been disrupted. All of our natural gas fueling stations have remained fully operational during the COVID-19 pandemic and continue to provide access to customers--many that are supplying essential services. Further, we have not experienced any challenges implementing business continuity plans and have not incurred, and do not expect to incur, material expenditures related to the same.

Beginning on April 27, 2020, we commenced a phased return of employees to their respective offices (such phased return was essentially completed prior to September 30, 2020) and have adopted and applied protocols and procedures in accordance with federal, state and local government policies and mandates and Centers for Disease Control (CDC) guidelines. Specifically, we have implemented enhanced cleaning and disinfecting protocols and procedures like temperature and COVID-19 screening questionnaires for the health and safety of our employees, customers and the communities in which we operate. We have provided personal protective equipment (including masks and gloves) and hand sanitizer, we have modified office seating, we expect all our employees to maintain appropriate physical distancing, and we continue to restrict employee travel in accordance with the various state health orders.

We began to see the negative effects of COVID-19 on volumes delivered in mid-March and continued to see declines in volumes delivered for the three months ended June 30, 2020 and September 30, 2020, as compared to the respective periods in 2019. We have seen sequential quarterly improvement in volumes, as volumes delivered for the third quarter of 2020 increased 9% over the second quarter of 2020. Volumes, however, delivered in September 2020 were 4% lower compared to September 2019. The most significant negative effects of COVID-19 in relation to our volumes continue to be seen in the airports (fleet services), public transit and government fleet customer markets, which were down from the three months ended September 30, 2019 by between 16% and 37% due to federal, state and local government mandates to restrict normal daily activities, as well as travel bans, quarantines and “shelter-in-place” orders, with single digit growth in the refuse market in the three months ended September 30, 2020 from the three months ended September 30, 2019, where we saw more essential businesses operating. Although many of these restrictions have been lifted or scaled back in recent months, new resurgences of COVID-19 have resulted in the re-imposition of certain restrictions and may lead to other restrictions being re-implemented in response to efforts to reduce the spread of COVID-19. These measures, which may remain in place for a significant amount of time, may further adversely affect airports, public transit and government fleet customer markets.

Our volume of GGEs delivered in the third quarter of 2020 declined 5% compared to the prior year period. During the third quarter of 2020, volumes delivered gradually increased each month compared to the prior month. Although we are experiencing gradual sequential monthly improvements in volume as described above, there is no guarantee this will continue due to uncertainties regarding the effects of the COVID-19 pandemic. We also believe year-over-year declines in volumes will continue through the end of the year and possibly beyond due to the prolonging effect of the COVID-19 pandemic. Declines in volume have resulted and are expected to continue to result in lower gross margin dollars year-over-year and likely a lower gross margin per GGE due to lower output on fixed operating costs and the effect of less RIN and LCFS revenue. Lower volumes have affected and may continue to affect our AFTC revenue as a portion of the decline in volume is from AFTC eligible volumes. We continue to experience lower operating expenses, which has helped mitigate the lower gross profit margins from lower volumes, and we have benefitted from other gains on station asset disposals. As such, we continue to estimate a negative effect of \$11 million to our net operating results for 2020 as a result of COVID-19. Given the dynamic nature of these circumstances, significant uncertainty exists concerning the duration of business disruption and the full extent of the effect of COVID-19 on our business, results of operations and financial condition. Additionally, the effects of COVID-19, low oil prices and the adoption of government policies and programs, or increased popular sentiment, in favor of other vehicle technologies or fuels may delay adoption of natural gas vehicles, particularly heavy-duty natural gas trucks, by new or existing customers. For more information, see “Risk Factors” in Part II, Item 1A of this report.

We believe we have sufficient liquidity to support business operations through this volatile period, including total cash and cash equivalents and short-term investments of \$92.1 million as of September 30, 2020. We will also collect receivables related to the 2020 AFTC revenue in the fourth quarter of 2020 and the first half of 2021, which we expect to

be between \$16 million and \$20 million giving consideration to the effect of COVID-19 described above. As of September 30, 2020, we had approximately \$7.1 million of current debt. In addition, actions we have taken and are continuing to take have reduced costs and spending across our organization. This includes limiting travel, reducing hiring activities and limiting discretionary spending. We also reduced our anticipated capital expenditures for 2020 in light of COVID-19 to \$20.0 million from our original plan of \$30.8 million. Additionally, we could suspend, or limit repurchases under, our share repurchase program which was authorized for up to \$30.0 million, of which \$13.5 million, excluding fees and commissions, had been spent through September 30, 2020 and \$13.9 million had been spent through October 30, 2020.

## Performance Overview

This performance overview discusses matters on which our management focuses in evaluating our financial condition and our operating results.

### Sources of Revenue

The following tables represent our sources of revenue:

Revenue (in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
Volume-related <sup>(1)</sup>	\$ 67.9	\$ 57.1	\$ 208.7	\$ 182.4
Station construction sales	6.4	8.8	15.5	19.6
AFTC <sup>(2)</sup>	—	5.0	—	14.8
Other	0.1	—	0.3	—
Total	\$ 74.4	\$ 70.9	\$ 224.5	\$ 216.8

<sup>(1)</sup> Our volume-related revenue primarily consists of sales of RNG, CNG and LNG fuel, performance of O&M services, and sales of RINs and LCFS Credits in addition to changes in fair value of our derivative instruments. More information about our volume of fuel and O&M services delivered in the periods is included below under “Key Operating Data,” and our derivative instruments consist of commodity swap and customer contracts (see Note 6 for more information). The following table summarizes our volume-related revenue in the periods:

Revenue (in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
Fuel sales and performance of O&M services	\$ 59.8	\$ 47.5	\$ 186.9	\$ 155.3
Change in fair value of derivative instruments	1.1	(0.1)	(3.3)	4.0
RIN Credits	4.1	4.7	15.3	10.1
LCFS Credits	2.9	5.0	9.8	13.0
Total volume-related revenue	\$ 67.9	\$ 57.1	\$ 208.7	\$ 182.4

<sup>(2)</sup> Represents the federal alternative fuel tax credit that we refer to as “AFTC,” which had previously expired but on December 20, 2019 was retroactively extended for vehicle fuel sales made beginning January 1, 2018 through December 31, 2020. AFTC may not be reinstated for vehicle fuel sales made after December 31, 2020.

### Key Operating Data

In evaluating our operating performance, we focus primarily on: (1) the amount of RNG, CNG and LNG GGEs delivered (which we define as (i) the volume of GGEs we sell to our customers as fuel, plus (ii) the volume of GGEs dispensed at facilities we do not own but where we provide O&M services on a per-gallon or fixed fee basis, plus (iii) our proportionate share of the GGEs sold as CNG by our joint venture with Mansfield Ventures, LLC called Mansfield Clean Energy Partners, LLC (“MCEP”), plus (iv) for periods before completion of the BP Transaction, our proportionate share (as applicable) of the GGEs of RNG produced and sold by our former RNG production facilities, which we sold in the BP Transaction), (2) our station construction cost of sales, (3) our gross margin (which we define as revenue minus cost of

sales), and (4) net loss attributable to us. The following tables present our key operating data for the years ended December 31, 2017, 2018, and 2019 and for the three and nine months ended September 30, 2019 and 2020:

Gasoline gallon equivalents delivered (in millions)	Year Ended December 31,			Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2018	2019	2019	2020	2019	2020
CNG <sup>(1)</sup>	283.4	299.5	335.7	86.1	82.1	248.5	239.8
LNG	66.1	66.0	65.1	16.6	15.6	49.0	46.7
Non-vehicle RNG <sup>(2)</sup>	1.9	—	—	—	—	—	—
Total	351.4	365.5	400.8	102.7	97.7	297.5	286.5

(1) As noted above, amounts include our proportionate share of the GGEs sold as CNG by our joint venture MCEP. GGEs sold by this joint venture were 0.5 million, 0.5 million and 0.4 million for the years ended December 31, 2017, 2018, and 2019, respectively, 0.1 million for each of the three months ended September 30, 2019 and 2020, and 0.3 million and 0.2 million for the nine months ended September 30, 2019 and 2020 respectively.

(2) Represents RNG sold as non-vehicle fuel. RNG sold as vehicle fuel is sold under the brand name Redeem™ and is included in this table in the CNG or LNG amounts as applicable based on the form in which it was sold.

RNG sold as vehicle fuel under the brand name Redeem™ is included in the CNG or LNG amounts in the table above as applicable based on the form in which it was sold. GGEs of Redeem™ sold for the years ended December 31, 2017, 2018 and 2019 and for the three and nine months ended September 30, 2019 and 2020 were as follows:

Gasoline gallon equivalents delivered (in millions)	Year Ended December 31,			Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2018	2019	2019	2020	2019	2020
Redeem™	78.5	110.1	143.3	37.4	40.1	111.1	112.1

Gasoline gallon equivalents delivered (in millions)	Year Ended December 31,			Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2018	2019	2019	2020	2019	2020
O&M services	199.5	206.1	211.4	54.9	52.7	158.1	149.6
Fuel <sup>(1)</sup>	127.3	133.6	162.4	40.6	38.6	119.5	118.2
Fuel and O&M services <sup>(2)</sup>	24.6	25.8	27.0	7.2	6.4	19.9	18.7
Total	351.4	365.5	400.8	102.7	97.7	297.5	286.5

Other operating data (in millions)	Year Ended December 31,			Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2018	2019	2019	2020	2019	2020
Station construction cost of sales	\$ 47.0	\$ 25.1	\$ 23.5	\$ 6.2	\$ 8.0	\$ 16.3	\$ 17.8
Gross margin <sup>(3) (4) (5)</sup>	\$ 85.8	\$ 133.5	\$ 132.0	\$ 24.5	\$ 25.6	\$ 68.1	\$ 80.0
Net income (loss) attributable to Clean Energy Fuels Corp. <sup>(3)</sup>	\$ (79.2)	\$ (3.8)	\$ 20.4	\$ (4.3)	\$ (2.3)	\$ (20.7)	\$ (7.3)

(1) As noted above, amounts include our proportionate share of the GGEs sold as CNG by our joint venture MCEP. GGEs sold by this joint venture were 0.5 million, 0.5 million and 0.4 million for the years ended December 31, 2017, 2018, and 2019, respectively, 0.1 million for each of the three months ended September 30, 2019 and 2020, and 0.3 million and 0.2 million for the nine months ended September 30, 2019 and 2020 respectively.

(2) Represents GGEs at stations where we provide both fuel and O&M services.

(3) Includes the following amounts of AFTC revenue: \$0.0 million, \$26.7 million and \$47.1 million for the years ended December 31, 2017, 2018, and 2019, respectively, \$0.0 million for each of the three and nine months ended September 30, 2019, and \$5.0 million and \$14.8 million for the three and nine months ended September 30, 2020, respectively.

(4) For the year ended December 31, 2017, gross margin includes an inventory valuation provision of \$13.2 million.

(5) Gross margin includes an unrealized gain (loss) from the change in fair value of commodity swap and customer contracts of \$10.3 million and \$(6.6) million for the years ended December 31, 2018 and 2019, respectively, \$1.1 million and \$(0.1) million for the three months ended September



30, 2019 and 2020, respectively, and \$(3.3) million and \$4.0 million for the nine months ended September 30, 2019 and 2020, respectively. See Note 6 for more information regarding the commodity swap and customer contracts.

### *Recent Developments*

*Chevron Adopt-a-Port.* In June 2020, we entered into an agreement with Chevron to provide truck operators serving the ports of Los Angeles and Long Beach with cleaner, carbon-negative RNG to reduce emissions. Under the agreement, Chevron will provide funding to allow truck operators to subsidize the cost of buying new RNG-powered trucks and will supply RNG to our stations near the ports.

*Share Repurchase Program.* On March 12, 2020, our Board of Directors approved a share repurchase program of up to \$30.0 million (exclusive of fees and commissions) of our outstanding common stock (the “Repurchase Program”). The Repurchase Program does not have an expiration date, does not obligate us to acquire any specific number of shares, and may be suspended or discontinued at any time. As of September 30, 2020, we had utilized \$13.5 million under the Repurchase Program to purchase 7,347,691 shares of our common stock for a total cost of \$13.7 million. As of October 30, 2020, we had utilized \$13.9 million under the Repurchase Program to purchase 7,495,048 shares of our common stock.

*7.5% Notes.* In May 2020, we repaid the remaining \$50.0 million of outstanding 7.5% Notes plus related accrued and unpaid interest thereon.

*NG Advantage.* In February 2020, we converted the principal and accrued interest under the November 2019 Convertible Note (as defined in Note 3) into common units of NG Advantage, LLC (“NG Advantage”) and received common units pursuant to the guaranty agreement entered in February 2018, resulting in an increase in our controlling interest in NG Advantage to 93.3%.

### *Business Risks and Uncertainties and Other Trends*

Our business and prospects are exposed to numerous risks and uncertainties. For more information, see “Risk Factors” in Part II, Item 1A of this report. In addition, our performance in any period may be affected by various trends in our business and our industry, including certain seasonality trends. See the description of the key trends in our past performance and anticipated future trends included in the MD&A contained in our 2019 Form 10-K. Except as set forth below, and in “Impact of COVID-19” above, there have been no material changes to such trends as described in the MD&A contained in our 2019 Form 10-K.

The market for natural gas as a vehicle fuel is a relatively new and developing market, and has experienced slow, volatile or unpredictable growth in many sectors. For example, to date, adoption and deployment of natural gas vehicles, both in general and in certain of our key customer markets, including heavy-duty trucking, have been slower and more limited than we anticipated. Also, other important markets, including airports, refuse and public transit, had slower volume and customer growth in 2019 and in the nine months ended September 30, 2020 that we expect to continue, especially due to the COVID-19 pandemic and the efforts taken to reduce its spread.

Market prices for RINs and LCFS Credits can be volatile and unpredictable, and the prices for such credits can be subject to significant fluctuations. The value of RINs and LCFS Credits (derived from market prices) can materially affect our revenue. For example, since approximately the beginning of June 2019 to January 2020, market prices for RINs trended to historical lows. Although RIN prices have generally increased since late January 2020, prices have fluctuated significantly during 2020 and will likely continue to be volatile.

The market price of our common stock can be volatile and unpredictable. During the third quarter of 2020, our stock price fluctuated. If a decline of our market capitalization were sustained we may need to perform goodwill impairment tests more frequently and it is possible that our goodwill could become impaired which could result in a material non-cash charge and adversely affect our results of operations.

## **Debt Compliance**

Certain of the agreements governing our outstanding debt, which are discussed in Note 12, have certain non-financial covenants with which we must comply. As of September 30, 2020, we were in compliance with all of these covenants.

## **Risk Management Activities**

Our risk management activities are discussed in the MD&A contained in our 2019 Form 10-K. During the nine months ended September 30, 2020, there were no material changes to these activities.

## **Critical Accounting Policies and Estimates**

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of accounting policies, some of which require us to make estimates and assumptions that affect the amounts reported and related disclosures in our condensed consolidated financial statements. We base our estimates on historical experience and various assumptions that we believe are reasonable under the circumstances. To the extent there are differences between these estimates and actual results, our financial condition or results of operations could be materially affected.

Our critical accounting policies and the related judgments and estimates are discussed in the MD&A contained in our 2019 Form 10-K, except for certain updates regarding our goodwill impairment assessment, which is described below, and our adoption of new guidance for credit losses effective January 1, 2020, which is described in Note 1. There have been no other material changes to our critical accounting policies as described in the MD&A contained in our 2019 Form 10-K.

### *Impairment of Goodwill*

Goodwill represents the excess of costs incurred over the fair value of the net assets of acquired businesses. We assess our goodwill using either a qualitative or quantitative approach to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. We are required to use judgment when applying the goodwill impairment test, including, among other considerations, the identification of reporting unit(s), the assessment of qualitative factors, and the estimation of fair value of a reporting unit in the quantitative approach. We determined that we are a single reporting unit for the purpose of goodwill impairment tests. We perform the impairment test annually on October 1, or more frequently if facts or circumstances change that would indicate that the carrying amount may be impaired.

The qualitative goodwill assessment includes the potential effect on a reporting unit's fair value of certain events and circumstances, including its enterprise value, macroeconomic conditions, industry and market considerations, cost factors, and other relevant entity-specific events. If it is determined, based upon the qualitative assessment, that it is more likely than not that the reporting unit's fair value is less than its carrying amount, then a quantitative impairment test is performed. Alternatively, we may bypass the qualitative assessment for a reporting unit and directly perform the quantitative assessment.

The quantitative assessment estimates the reporting unit's fair value based on its market capitalization plus an assumed control premium as evidence of fair value. The estimates used to determine the fair value of the reporting unit may change based on results of operations, macroeconomic conditions, stock price fluctuations or other factors. Changes in these estimates could materially affect our assessment of the fair value and goodwill impairment for the reporting unit.

For our most recent goodwill impairment test, which was our annual test performed on October 1, 2019, we performed a quantitative impairment assessment for the reporting unit as described above. In this test, the fair value of the reporting unit exceeded its carrying value by 9%.



We evaluated the recent change in the market price of our common stock and considered whether there were any other events or circumstances that would more likely than not reduce the fair value of our reporting unit below its carrying value on a sustained basis, and concluded it was not more likely than not that the fair value of our reporting unit decreased below its carrying value, on a sustained basis. As a result, an interim impairment test was not considered necessary during the three and nine months ended September 30, 2020.

If there were a decline in the market price of our common stock and our market capitalization, or if other events or circumstances change that would more likely than not reduce the fair value of our reporting unit below its carrying value, on a sustained basis, then we may perform impairment tests more frequently and it is possible that our goodwill could become impaired, which could result in a material non-cash charge and adversely affect our results of operations.

### Recently Adopted and Recently Issued Accounting Standards

See Note 1 for a description of recently adopted accounting standards and recently issued accounting standards pending adoption.

### Results of Operations

The table below presents, for each period indicated, each line item of our statements of operations data as a percentage of our total revenue for the period. Additionally, the narrative that follows provides a comparative discussion of certain of these line items between the periods indicated. Historical results are not indicative of the results to be expected in the current period or any future period.

*Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019*

	Three Months Ended September 30,	
	2019	2020
<b>Statements of Operations Data:</b>		
Revenue:		
Product revenue	84.4 %	85.1 %
Service revenue	15.6	14.9
Total revenue	100.0	100.0
Operating expenses:		
Cost of sales (exclusive of depreciation and amortization shown separately below):		
Product cost of sales	58.0	54.7
Service cost of sales	9.1	9.2
Change in fair value of derivative warrants	—	—
Selling, general and administrative	23.7	23.5
Depreciation and amortization	16.5	16.6
Total operating expenses	107.3	104.0
Operating loss	(7.3)	(4.0)
Interest expense	(2.3)	(1.4)
Interest income	0.8	0.6
Other income, net	0.2	1.3
Income (loss) from equity method investments	0.5	—
Loss before income taxes	(8.1)	(3.5)
Income tax expense	(0.1)	(0.1)
Net loss	(8.2)	(3.6)
Loss attributable to noncontrolling interest	2.3	0.4
Net loss attributable to Clean Energy Fuels Corp.	(5.9)%	(3.2)%

*Revenue.* Revenue decreased by \$3.5 million to \$70.9 million in the three months ended September 30, 2020, from \$74.4 million in the three months ended September 30, 2019. This decrease was primarily due to a decrease in volume-related revenue and the change in fair value of our commodity swap and customer contracts entered into in connection with our *Zero Now* truck financing program, partially offset by an increase in construction sales and AFTC revenue that did not exist in the third quarter of 2019.

Volume-related revenue, excluding the effect of the change in fair value of our commodity swap and customer contracts entered in connection with our *Zero Now* truck financing program, decreased by \$9.6 million between periods, attributable to a decrease in gallons delivered, and a lower effective price per gallon delivered. The effect to volume-related revenue as a result of the change in fair value of our commodity swap and customer contracts entered into in connection with our *Zero Now* truck financing program was \$(1.3) million, as we recognized an unrealized gain of \$1.1 million in 2019 compared to an unrealized loss of \$(0.1) million in 2020 (see Note 6 for more information).

Our effective price per gallon charged decreased by \$0.06 per gallon to \$0.59 per gallon in the three months ended September 30, 2020 compared to \$0.65 per gallon in the three months ended September 30, 2019, excluding the effect of the change in fair value of derivative instruments discussed above. Our effective price per gallon is defined as revenue generated from selling RNG, CNG, LNG and any related RINs and LCFS Credits and providing O&M services to our vehicle fleet customers at stations we do not own and for which we receive a per-gallon or fixed fee, all divided by the total GGEs delivered less GGEs delivered by non-consolidated entities, such as entities that are accounted for under the equity method. The decrease in our effective price per gallon was due to decreases in natural gas prices and the fuel price mix, which is based on the variation of fuel types and locations where we deliver fuel.

Station construction sales increased by \$2.3 million between periods due to increased construction activities.

AFTC revenue increased by \$5.0 million between periods due to the absence of AFTC in the three months ended September 30, 2019. We recognized AFTC revenue for the vehicle fuel we sold in 2018 and 2019 in the three months ended December 31, 2019.

*Cost of sales.* Cost of sales decreased by \$4.6 million to \$45.3 million in the three months ended September 30, 2020, from \$49.9 million in the three months ended September 30, 2019. This decrease was primarily due to a decrease in gallons delivered and a lower effective cost per gallon, partially offset by a \$1.8 million increase in the cost of station construction activities.

Our effective cost per gallon decreased by \$0.05 per gallon to \$0.38 per gallon in the three months ended September 30, 2020 from \$0.43 per gallon in the three months ended September 30, 2019. Our effective cost per gallon is defined as the total costs associated with delivering natural gas, including gas commodity costs, transportation fees, liquefaction charges, and other site operating costs, plus the total cost of providing O&M services at stations that we do not own and for which we receive a per-gallon or fixed fee, including direct technician labor, indirect supervisor and management labor, repair parts and other direct maintenance costs, all divided by the total GGEs delivered less GGEs delivered by non-consolidated entities, such as entities that are accounted for under the equity method. The decrease in our effective cost per gallon was due to decreases in natural gas prices and transportation costs.

*Change in fair value of derivative warrants.* Change in fair value of derivative warrants, all of which were issued by our subsidiary, NG Advantage, was roughly flat in the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The warrants expired unexercised on July 2, 2020.

*Selling, general and administrative.* Selling, general and administrative expenses decreased by \$1.0 million to \$16.6 million in the three months ended September 30, 2020, from \$17.6 million in the three months ended September 30, 2019. This decrease was primarily driven by reduced activities and cost reductions due to the effect of COVID-19, including lower advertising and travel expenses.

*Depreciation and amortization.* Depreciation and amortization decreased by \$0.5 million to \$11.7 million in the three months ended September 30, 2020, from \$12.2 million in the three months ended September 30, 2019, primarily due to a lower amount of depreciable assets.

*Interest expense.* Interest expense decreased by \$0.7 million to \$1.0 million in the three months ended September 30, 2020, from \$1.7 million in the three months ended September 30, 2019, primarily due to lower outstanding indebtedness between periods.

*Other income, net.* Other income, net increased by \$0.8 million from \$0.2 million in the three months ended September 30, 2019 to \$0.9 million in the three months ended September 30, 2020, primarily due to a gain recorded from the disposal of certain assets.

*Income (loss) from equity method investments.* Income (loss) from equity method investments changed by \$0.4 million from income of \$0.4 million to a loss of \$0.0 million, primarily due to the operating results of SAFE&CEC S.r.l. being negatively affected by the COVID-19 pandemic.

*Income tax expense.* Income tax expense increased in the three months ended September 30, 2020 from the three months ended September 30, 2019, primarily due to an increase in deferred taxes associated with goodwill which were partially offset by a reduction in the Company's expected state tax expense.

*Loss attributable to noncontrolling interest.* During the three months ended September 30, 2019 and 2020, we recorded a \$1.7 million and \$0.3 million gain, respectively, for the noncontrolling interest in the net loss of NG Advantage. The noncontrolling interest in NG Advantage represents a 35.4% and 6.7% minority interest that was held by third parties during the 2019 and 2020 periods, respectively.

*Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019*

	Nine Months Ended September 30,	
	2019	2020
<b>Statements of Operations Data:</b>		
Revenue:		
Product revenue	85.1 %	86.0 %
Service revenue	14.9	14.0
Total revenue	100.0	100.0
Operating expenses:		
Cost of sales (exclusive of depreciation and amortization shown separately below):		
Product cost of sales	61.3	54.7
Service cost of sales	8.3	8.4
Change in fair value of derivative warrants	0.7	—
Selling, general and administrative	24.1	23.9
Depreciation and amortization	16.6	16.5
Total operating expenses	111.0	103.5
Operating loss	(11.0)	(3.5)
Interest expense	(2.4)	(2.3)
Interest income	0.8	0.5
Other income, net	1.3	1.6
Income (loss) from equity method investments	(0.1)	(0.2)
Loss before income taxes	(11.4)	(3.9)
Income tax expense	(0.1)	(0.1)
Net loss	(11.5)	(4.0)
Loss attributable to noncontrolling interest	2.4	0.6
Net loss attributable to Clean Energy Fuels Corp.	(9.1)%	(3.4)%

*Revenue.* Revenue decreased by \$7.7 million to \$216.8 million in the nine months ended September 30, 2020, from \$224.5 million in the nine months ended September 30, 2019. This decrease was primarily due to a decrease in volume-related revenue, partially offset by a favorable change in fair value of our commodity swap and customer contracts

entered into in connection with our *Zero Now* truck financing program, increased station construction sales and AFTC revenue that did not exist in the prior year period.

Volume-related revenue, excluding the impact of the change in fair value of our commodity swap and customer contracts entered in connection with our *Zero Now* truck financing program, decreased by \$33.8 million between periods, attributable to a decrease in gallons delivered, and a lower effective price per gallon delivered. The impact to volume-related revenue as a result of the change in fair value of our commodity swap and customer contracts entered into in connection with our *Zero Now* truck financing program was \$7.3 million, as we recognized an unrealized loss of \$(3.3) million in 2019 compared to an unrealized gain of \$4.0 million in 2020 (see Note 6 for more information).

Our effective price per gallon charged decreased by \$0.09 per gallon to \$0.62 per gallon in the nine months ended September 30, 2020 compared to \$0.71 per gallon in the nine months ended September 30, 2019, excluding the effect of the change in fair value of derivative instruments discussed above. Our effective price per gallon is defined as revenue generated from selling RNG, CNG, LNG and any related RINs and LCFS Credits and providing O&M services to our vehicle fleet customers at stations we do not own and for which we receive a per-gallon or fixed fee, all divided by the total GGEs delivered less GGEs delivered by non-consolidated entities, such as entities that are accounted for under the equity method. The decrease in our effective price per gallon was due to decreases in natural gas prices and the fuel price mix, which is based on the variation of fuel types and locations where we deliver fuel.

Station construction sales increased by \$4.0 million between periods due to increased construction activities.

AFTC revenue increased by \$14.8 million between periods due to the absence of AFTC in the nine months ended September 30, 2019. We recognized AFTC revenue for the vehicle fuel we sold in 2018 and 2019 in the three months ended December 31, 2019.

*Cost of sales.* Cost of sales decreased by \$19.6 million to \$136.8 million in the nine months ended September 30, 2020, from \$156.4 million in the nine months ended September 30, 2019. This decrease was primarily due to a decrease in gallons delivered and a lower effective cost per gallon, partially offset by a \$1.4 million increase in the cost of station construction activities.

Our effective cost per gallon decreased by \$0.05 per gallon to \$0.42 per gallon in the nine months ended September 30, 2020 from \$0.47 per gallon in the nine months ended September 30, 2019. Our effective cost per gallon is defined as the total costs associated with delivering natural gas, including gas commodity costs, transportation fees, liquefaction charges, and other site operating costs, plus the total cost of providing O&M services at stations that we do not own and for which we receive a per-gallon or fixed fee, including direct technician labor, indirect supervisor and management labor, repair parts and other direct maintenance costs, all divided by the total GGEs delivered less GGEs delivered by non-consolidated entities, such as entities that are accounted for under the equity method. The decrease in our effective cost per gallon was due to decreases in natural gas prices and transportation costs.

*Change in fair value of derivative warrants.* Change in fair value of derivative warrants, all of which were issued by our subsidiary, NG Advantage, changed by \$1.6 million to a gain of \$0.0 million in the nine months ended September 30, 2020, from an expense of \$1.6 million in the nine months ended September 30, 2019, due to a change in the estimated fair value. The warrants expired unexercised on July 2, 2020.

*Selling, general and administrative.* Selling, general and administrative expenses decreased by \$2.2 million to \$51.8 million in the nine months ended September 30, 2020, from \$54.0 million in the nine months ended September 30, 2019. This decrease was primarily driven by reduced activities and cost reductions due to the effect of COVID-19, including lower advertising and travel expenses.

*Depreciation and amortization.* Depreciation and amortization decreased by \$1.6 million to \$35.7 million in the nine months ended September 30, 2020, from \$37.3 million in the nine months ended September 30, 2019, primarily due to a lower amount of depreciable assets.

*Interest expense.* Interest expense decreased by \$0.4 million to \$5.1 million in the nine months ended September 30, 2020, from \$5.4 million in the nine months ended September 30, 2019. This decrease was primarily due to lower outstanding indebtedness between periods.

*Other income, net.* Other income, net increased \$0.5 million from \$2.9 million in the nine months ended September 30, 2019 to \$3.4 million in the nine months ended September 30, 2020. This increase was primarily due to gains recorded from the disposal of certain assets.

*Income (loss) from equity method investments.* Loss from equity method investments increased \$0.2 million between periods, primarily due to the operating results of SAFE&CEC S.r.l. being negatively affected by the COVID-19 pandemic partially offset by improved operating results from MCEP.

*Income tax expense.* Income tax expense increased in the nine months ended September 30, 2020 from the nine months ended September 30, 2019, primarily due to an increase in deferred taxes associated with goodwill which were partially offset by a reduction in the Company's expected state tax expense.

*Loss attributable to noncontrolling interest.* During the nine months ended September 30, 2019 and 2020, we recorded a \$5.3 million and \$1.4 million gain, respectively, for the noncontrolling interest in the net loss of NG Advantage. The noncontrolling interest in NG Advantage represents a 35.4% and 6.7% minority interest that was held by third parties during the 2019 and 2020 periods, respectively.

## **Liquidity and Capital Resources**

### *Liquidity*

Liquidity is the ability to meet present and future financial obligations through operating cash flows, the sale or maturity of investments or the acquisition of additional funds through capital management. Our financial position and liquidity are, and will continue to be, influenced by a variety of factors, including the level of our outstanding indebtedness and the principal and interest we are obligated to pay on our indebtedness, which could be influenced by the potential discontinuance of LIBOR for certain of our debt instruments that tie interest rates to this metric; the amount and timing of any additional debt or equity financing we may pursue; our capital expenditure requirements; any merger, divestiture or acquisition activity; and our ability to generate cash flows from our operations. We expect cash provided by our operating activities to fluctuate as a result of a number of factors, including our operating results and the factors that affect these results, including the amount and timing of our natural gas vehicle fuel sales, station construction sales, sales of RINs and LCFS Credits and recognition of government credits, the effects of COVID-19, grants and incentives, if any; fluctuations in commodity, station construction and labor costs and natural gas, RIN and LCFS Credit prices; variations in the fair value of certain of our derivative instruments that are recorded in revenue; and the amount and timing of our billing, collections and liability payments.

### *Cash Flows*

Cash provided by operating activities was \$53.1 million in the nine months ended September 30, 2020, compared to \$4.6 million in the comparable 2019 period. The increase in cash provided by operating activities was primarily attributable to AFTC, other changes in working capital resulting from the timing of receipts and payments of cash, and the decrease in net loss in the nine months ended September 30, 2020 from the comparable 2019 period, partially offset by \$7.8 million used to terminate a contract between NG Advantage and BP.

Cash provided by investing activities was \$57.3 million in the nine months ended September 30, 2020, compared to \$0.5 million used in investing activities in the comparable 2019 period. The increase in cash provided by investing activities was primarily attributable to an increase in net maturities of short-term investments from the comparable period in 2019, partially offset by lower proceeds from property and equipment disposals.

Cash used in financing activities was \$67.9 million in the nine months ended September 30, 2020, compared to \$1.1 million used in financing activities in the comparable 2019 period. The increase in cash used in financing activities

was primarily attributable to an increase in repayment of debt instruments and finance lease obligations due to repayment of the 7.5% Notes and repurchases of common stock during the nine months ended September 30, 2020, partially offset by lower proceeds from debt instruments.

*Capital Expenditures, Indebtedness and Other Uses of Cash*

We require cash to fund our capital expenditures, operating expenses and working capital and other requirements, including costs associated with fuel sales; outlays for the design and construction of new fueling stations; additions or other modifications to existing fueling stations; RNG production; debt repayments and repurchases; repurchases of common stock; purchases of CNG tanker trailers and natural gas heavy-duty trucks; maintenance of LNG production facilities; supporting our operations, including maintenance and improvements of our infrastructure; supporting our sales and marketing activities, including support of legislative and regulatory initiatives; financing natural gas vehicles for our customers; any investments in other entities; any mergers or acquisitions; pursuing market expansion as opportunities arise, including geographically and to new customer markets; and to fund other activities or pursuits and for other general corporate purposes.

Our business plan calls for approximately \$18.0 million in capital expenditures for all of 2020. These planned capital expenditures primarily relate to the construction of CNG fueling stations, IT software and equipment and LNG plant costs, and we expect to fund these expenditures primarily through cash on hand and cash generated from operations. We may also deploy capital for investments in RNG production. For the nine months ended September 30, 2020, our capital expenditures were approximately \$8.5 million, and we may not spend the full \$18.0 million in 2020.

In addition, we previously anticipated that NG Advantage may spend as much as \$12.8 million in 2020 for capital expenditures. However, due to the impact of COVID-19, we reduced NG Advantage's anticipated capital expenditures to \$2.0 million. These planned capital expenditures primarily relate to purchases of additional equipment in support of its operations and customer contracts; although NG Advantage has sought financing from third parties for capital expenditures, we have provided and may continue to provide financing for these capital expenditures. For the nine months ended September 30, 2020, NG Advantage's capital expenditures were approximately \$1.5 million, and NG Advantage may not spend the full \$2.0 million in 2020.

We had total indebtedness, consisting of our debt and finance leases, of approximately \$39.0 million in principal amount as of September 30, 2020, of which approximately \$1.9 million, \$7.1 million, \$7.2 million, \$12.3 million, \$10.2 million, and \$0.3 million is expected to become due in 2020, 2021, 2022, 2023, 2024 and thereafter, respectively. We expect our total interest payment obligations relating to this indebtedness to be approximately \$4.8 million in 2020, \$4.1 million of which had been paid when due as of September 30, 2020. We plan to and believe we are able to make all expected principal and interest payments in the next 12 months.

We also have indebtedness, including the amount representing interest, from our operating leases of approximately \$42.1 million as of September 30, 2020, of which approximately \$1.3 million, \$4.6 million, \$3.7 million, \$3.7 million, \$3.7 million and \$25.1 million is expected to become due in 2020, 2021, 2022, 2023, 2024 and thereafter, respectively.

In addition, in connection with implementing our *Zero Now* truck financing program, we have entered into agreements that permit us to incur a material amount of additional debt on a delayed draw basis and obligate us to make interest and other fee payments that vary in amount depending on the outstanding principal of this debt and certain other factors; none of this potential debt nor the related interest and other payments are included in the foregoing estimates, other than the principal amount of \$4.7 million drawn as of September 30, 2020.

Although we believe we have sufficient liquidity and capital resources to repay our debt coming due in the next 12 months, we may elect to suspend, or limit repurchases under, our share repurchase program or pursue alternatives, such as refinancing, or debt or equity offerings, to increase our cash management flexibility.

We intend to make payments under our various debt instruments when due and pursue opportunities for earlier repayment and/or refinancing if and when these opportunities arise.

### *Sources of Cash*

Historically, our principal sources of liquidity have consisted of cash on hand; cash provided by our operations, including, if available, AFTC and other government credits, grants and incentives; cash provided by financing activities; and sales of assets. As of September 30, 2020, we had total cash and cash equivalents and short-term investments of \$92.1 million, compared to \$106.1 million as of December 31, 2019.

We expect cash provided by our operating activities to fluctuate depending on our operating results, which can be affected by the factors described above, as well as the other factors described in this MD&A and Part II, Item 1A. Risk Factors of this report.

In October 2018 and January 2019, we entered into agreements to implement our *Zero Now* truck financing program, which permit us to incur up to an additional \$100.0 million of indebtedness through the beginning of January 2022, obligate us to make certain interest and other fee payments in connection with this debt and THUSA's related guaranty (which payments will vary in amount but will be owed by us regardless of the revenue we may receive from the program), and subject us to potential additional payments in connection with related commodity swap arrangements. We are permitted to use any proceeds we receive under these agreements solely to fund the incremental cost of trucks purchased or financed by operators that participate in the *Zero Now* program.

See Note 12 for more information about all of our outstanding debt.

We believe our cash and cash equivalents and short-term investments and anticipated cash provided by our operating and financing activities will satisfy our expected business requirements for at least the 12 months following the date of this report. Subsequent to that period, we may need to raise additional capital to fund any planned or unanticipated capital expenditures, investments, debt repayments, share repurchases or other expenses that we cannot fund through cash on-hand, cash provided by our operations or other sources. Moreover, we may use our cash resources faster than we predict due to unexpected expenditures, the effects of COVID-19 or higher-than-expected expenses, in which case we may need to seek capital from alternative sources sooner than we anticipate.

The timing and necessity of any future capital raise would depend on various factors, including our rate and volume of, and prices for, natural gas sales and other volume-related activity, the effects of COVID-19, new station construction, debt repayments (either before or at maturity) and any potential mergers, acquisitions, investments, divestitures or other strategic relationships we may pursue, as well as the other factors that affect our revenue and expense levels as described in this MD&A and elsewhere in this report.

We may seek to raise additional capital through one or more sources, including, among others, selling assets, obtaining new or restructuring existing debt, obtaining equity capital, or any combination of these or other potential sources of capital. We may not be able to raise capital when needed, on terms that are favorable to us or our stockholders or at all. Any inability to raise necessary capital may impair our ability to develop and maintain natural gas fueling infrastructure, invest in strategic transactions or acquisitions or repay our outstanding indebtedness and may reduce our ability to support and build our business and generate sustained or increased revenue.

### **Off-Balance Sheet Arrangements**

As of September 30, 2020, we had the following off-balance sheet arrangements that have had, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources:

- Outstanding surety bonds for construction contracts and general corporate purposes totaling \$30.5 million;
- Two long-term natural gas purchase contracts with a take-or-pay commitment;
- Quarterly fixed price natural gas purchase contracts with take-or-pay commitments;



- One long-term natural gas sale contract with a fixed supply commitment along with a guaranty agreement; and
- One long-term natural gas sale contract with a fixed supply commitment.

We provide surety bonds primarily for construction contracts in the ordinary course of our business, as a form of guarantee. No liability has been recorded in connection with our surety bonds because, based on historical experience and available information, we do not believe it is probable that any amounts will be required to be paid under these arrangements for which we will not be reimbursed.

As of September 30, 2020, we had two long-term natural gas purchase contracts with a take-or-pay commitment, which require us to purchase minimum volumes of natural gas at index-based prices and expire in December 2020 and June 2022, respectively. Additionally, as of September 30, 2020, we had quarterly fixed-price natural gas purchase contracts with take-or-pay commitments extending through June 2023.

NG Advantage has entered into an arrangement with BP for the supply, sale and reservation of a specified volume of CNG transportation capacity until March 2022. In June 2020, we paid BP \$7.8 million to terminate a portion of the forgoing arrangement. In connection with the arrangement, on February 28, 2018, we entered into a guaranty agreement with NG Advantage and BP in which we guarantee NG Advantage's payment obligations to BP in the event of a default by NG Advantage under the supply arrangement, in an aggregate amount of up to \$30.0 million plus related fees, which was reduced to \$15.0 million effective June 24, 2020. Our guaranty is in effect until thirty days following our notice to BP of termination.

In addition, as of September 30, 2020, we had a fixed supply arrangement with UPS for the supply and sale of 170.0 million GGEs of RNG through March 2026.

### **Item 3.—Quantitative and Qualitative Disclosures about Market Risk**

In the ordinary course of our business, we are exposed to various market risks, including commodity price risks and risks related to foreign currency exchange rates.

#### **Commodity Price Risk**

We are subject to market risk with respect to our sales of natural gas, which have historically been subject to volatile market conditions. Our exposure to market risk is heightened when we have a fixed-price sales contract with a customer that is not covered by a futures contract, or when we are otherwise unable to pass through natural gas price increases to customers. Natural gas prices and availability are affected by many factors, including, among others, drilling activity, supply, weather conditions, the global trade environment, overall economic conditions and foreign and domestic government regulations.

Natural gas costs represented \$94.0 million of our cost of sales in 2019 and \$51.9 million of our cost of sales for the nine months ended September 30, 2020.

In October 2018, in support of our *Zero Now* truck financing program, we entered into two commodity swap contracts with Total Gas & Power North America, an affiliate of TOTAL S.E. ("TOTAL") and Total Holdings USA Inc. ("THUSA"), for a total of five million diesel gallons annually from April 1, 2019 to June 30, 2024. These commodity swap contracts are intended to manage risks related to the diesel-to-natural gas price spread in connection with the natural gas fuel supply commitments we make in our fueling agreements with fleet operators that participate in the *Zero Now* truck financing program.

We have prepared a sensitivity analysis to estimate our exposure to price risk with respect to our commodity swap contracts. If the diesel-to-natural gas price spread were to fluctuate by 10% as of September 30, 2020, we would expect a corresponding fluctuation in the fair value of our commodity swap contracts of approximately \$4.2 million.



### **Foreign Currency Exchange Rate Risk**

For the nine months ended September 30, 2020, our primary exposure to foreign currency exchange rates related to our Canadian operations that had certain outstanding accounts receivable and accounts payable denominated in the U.S. dollar, which were not hedged.

We have prepared a sensitivity analysis to estimate our exposure to market risk with respect to our monetary transactions denominated in a foreign currency. If the exchange rates on these assets and liabilities were to fluctuate by 10% from the rates as of September 30, 2020, we would expect a corresponding fluctuation in the value of the assets and liabilities of approximately \$0.2 million, net.

### **Interest Rate Risk**

As of September 30, 2020, we had \$4.7 million of debt that bears interest at a rate equal to LIBOR plus 1.30% per annum. Thus, our interest expense would fluctuate with a change in LIBOR. If LIBOR were to increase or decrease by 1% for the year, our annual interest expense would increase or decrease by approximately \$47,000.

The term credit agreement with SG permits us to draw loans from time to time through the beginning of January 2022. These loans are subject to an interest rate indexed to LIBOR which is expected to be discontinued after 2021. We intend to monitor the developments with respect to the potential discontinuance of LIBOR after 2021 and work with our lenders under the credit agreement, including SG, and any other indebtedness with an interest rate tied to LIBOR to minimize the effect of such a discontinuance on our financial condition and results of operations; however, the effect of the anticipated discontinuance of LIBOR on us and our debt instruments remains uncertain. If our lenders have increased costs due to changes in LIBOR, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows.

### **Item 4.—Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive and principal financial officers, respectively), of the effectiveness of our disclosure controls and procedures as of September 30, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

#### **Changes in Internal Control over Financial Reporting**

We regularly review and evaluate our internal control over financial reporting, and from time to time we may make changes to our processes and systems to improve controls or increase efficiencies. Such changes may include, among others, implementing new and more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations of Disclosure Controls and Procedures and Internal Control Over Financial Reporting**

In designing our disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of our controls and procedures must reflect the fact that there are resource constraints, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of these inherent limitations, our disclosure and internal controls may not prevent or detect all instances of fraud, misstatements or other control issues. In addition, projections of any evaluation of the effectiveness of disclosure or internal controls to future periods are subject to risks, including, among others, that controls may become inadequate because of changes in conditions or that compliance with policies or procedures may deteriorate.

## **PART II.—OTHER INFORMATION**

### **Item 1. —Legal Proceedings**

From time to time, we may become involved in various legal proceedings that arise in the ordinary course of our business, including lawsuits, claims, audits, government enforcement actions and related matters. It is not possible to predict when or if these proceedings may arise, nor is it possible to predict the outcome of any proceedings that do arise, including, among other things, the amount or timing of any liabilities we may incur, and any such proceedings could have a material effect on us regardless of outcome. In the opinion of management, however, we are not a party, and our properties are not subject, to any pending legal proceedings that are material to us.

### **Item 1A.—Risk Factors**

*An investment in our Company involves a high degree of risk of loss. You should carefully consider the risk factors discussed below and all of the other information included in this report and our 2019 Form 10-K before you make any investment decision regarding our securities. We believe the risks and uncertainties described below are the most significant we face, but additional risks and uncertainties not known to us or that we currently deem immaterial could also be or become significant. The occurrence of any of these risks could harm our business, financial condition, results of operations, prospects and reputation and could cause the trading price of our common stock to decline.*

#### **Risks Related to Our Business**

***The COVID-19 pandemic and measures intended to reduce its spread has, and may continue to, adversely affect our business, results of operations and financial condition.***

Beginning in late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, China and, over the next several months, spread throughout the world, including the United States, ultimately being declared a pandemic. Over the past several months, global health concerns and increased efforts to reduce the spread of the COVID-19 pandemic prompted federal, state and local governments to restrict normal daily activities, which resulted in travel bans, quarantines, “shelter-in-place” orders requiring individuals to remain in their homes other than to conduct essential services or activities, business limitations and shutdowns (subject to exceptions for certain essential operations and businesses, including our business). Although some of these governmental restrictions have since been lifted or scaled back, a recent resurgence of COVID-19 has resulted in the re-imposition of certain restrictions and may lead to other restrictions being re-implemented in response to efforts to reduce the spread of COVID-19. Given the dynamic nature of these circumstances and the related adverse impact these restrictions have had, and may continue to have, on the economy generally, our business and financial results may continue to be adversely impacted by the COVID-19 pandemic.

Our operations have been designated “essential critical infrastructure work” in the energy sector by the U.S. Department of Homeland Security, meaning that we have been able to continue operating to the fullest extent possible. However, despite our essential designation and our continued operations, we are subject to various risk and uncertainties as a result of the COVID-19 pandemic that could materially adversely affect our business, results of operations and financial condition, including the following:

- a further delay in the adoption of natural gas as a vehicle fuel by heavy-duty trucks and/or a delay in expansion of natural gas as a vehicle fuel by existing customers;
- a continued or further decrease in the volume of truck and fleet operations, including shuttle busses at airports and lower-than-normal levels of public transportation generally, including LA Metro, which have resulted and may continue to result in decreased demand for natural gas as a vehicle fuel;
- the impact of business disruptions on the production of natural gas vehicles and engines which has resulted in, and may continue to result in, plant closures, decreased manufacturing capacity, and delays in deliveries; and

- depressed oil and diesel prices, especially relative to natural gas prices and for a prolonged period, which may decrease the price-related incentive for operators to adopt natural gas trucks.

The duration and extent of the impact of the COVID-19 pandemic on our business and financial results will depend on future developments, including the duration, severity and spread of the pandemic, actions taken to contain its spread, any further resurgence of COVID-19 that may occur after the initial outbreak subsides, and how quickly and to what extent normal economic and operating conditions can resume within the markets in which we operate, each of which are highly uncertain at this time and outside of our control. Even after the COVID-19 pandemic subsides, we may continue to experience adverse effects to our business and financial results as a result of its global economic impact, including any economic downturn or recession that has occurred or may occur in the future. The adverse effect of the COVID-19 pandemic on our business, results of operations and financial condition could be material.

***Our success is dependent on the willingness of fleets and other consumers to adopt natural gas as a vehicle fuel, which may not occur in a timely manner, at expected levels or at all.***

Our success is highly dependent on the adoption by fleets and other consumers of natural gas as a vehicle fuel. The market for natural gas as a vehicle fuel has experienced slow, volatile and unpredictable growth in many sectors. For example, adoption and deployment of natural gas vehicles, both in general and in certain of our key customer markets, including heavy-duty trucking, have been slower and more limited than we anticipated. Also, other important fleet markets, including airports, refuse and public transit, had slower volume and customer growth in 2018, 2019 and the nine months ended September 30, 2020 that may continue. If the market for natural gas as a vehicle fuel does not develop at improved rates or levels, or if a market develops but we are not able to capture a significant share of the market or the market subsequently declines, our business, prospects, financial condition and operating results would be harmed.

Factors that may influence the adoption of natural gas as a vehicle fuel, many of which are beyond our control, include, among others:

- Lack of demand for natural gas trucks due to business disruptions and depressed oil prices related to the COVID-19 pandemic;
- Adoption of government policies or programs or increased publicity or popular sentiment in favor of vehicles or vehicle fuels other than natural gas, including long-standing support for gasoline and diesel-powered vehicles, changes to emissions requirements applicable to vehicles powered by gasoline, diesel, natural gas or other vehicle fuels and/or growing support for electric and hydrogen-powered vehicles, including the new Advanced Clean Trucks regulation and September 2020 Executive Order discussed below;
- Perceptions about the benefits of renewable and conventional natural gas relative to gasoline and diesel and other alternative vehicle fuels, including with respect to factors such as supply, cost savings, environmental benefits and safety;
- Increases, decreases or volatility in the supply, demand, use and prices of crude oil, gasoline, diesel, natural gas and other vehicle fuels, such as electricity, hydrogen, renewable diesel, biodiesel and ethanol;
- Inertia among fleets and fleet vehicle operators, who may be unable or unwilling to prioritize converting a vehicle fleet to natural gas over an operator's other general business concerns, particularly if the operator is not sufficiently incentivized by emissions regulations or other requirements or lacks demand for the conversion from its customers or drivers;
- Natural gas vehicle cost, fuel efficiency, availability, quality, safety, convenience (to fuel and service), design, performance and residual value, as well as operator perception with respect to these factors, generally and in our key customer markets and relative to comparable vehicles powered by other fuels;

- The development, production, cost, availability, performance, sales and marketing and reputation of natural gas engines that are well-suited for the vehicles used in our key customer markets, including heavy-duty trucks and other fleets;
- Increasing competition in the market for vehicle fuels generally, and the nature and effect of competitive developments in this market, including improvements in or perceived advantages of non-natural gas vehicle fuels or engines powered by these fuels;
- The availability and effect of environmental, tax or other government regulations, programs or incentives that promote natural gas or other alternatives as a vehicle fuel, including certain programs under which we generate credits by selling conventional and renewable natural gas as a vehicle fuel, as well as the market prices for such credits; and
- Emissions and other environmental regulations and pressures on crude oil and natural gas fueling stations and drilling, production, importing and transportation methods for these fuels.

In particular, in June 2020, the California Air Resources Board (“CARB”) adopted the Advanced Clean Trucks regulation, which requires manufacturers to sell a gradually increasing proportion of zero-emission electric trucks, vans and pickup trucks from 2024 onwards. By the year 2045, the Advanced Clean Trucks regulation seeks to have every new commercial vehicle sold in California have zero-emissions. Further, in September 2020, the Governor of the State of California issued an executive order (the “September 2020 Executive Order”) providing that it shall be the goal of California that (i) 100% of in-state sales of new passenger cars and trucks will be zero-emission by 2035, (ii) 100% of medium- and heavy-duty vehicles in California will be zero-emission by 2045 for all operations, where feasible, and by 2035 for drayage trucks, and (iii) the state will transition to 100% zero-emission off-road vehicles and equipment by 2035 where feasible. The September 2020 Executive Order also directed CARB to develop and propose regulations and strategies aimed at achieving the foregoing goals. Before the Advanced Clean Trucks regulation can take effect in 2024, California must be granted a waiver from the Environmental Protection Agency (“EPA”) to set stricter vehicle emissions standards than those of the federal government. Similarly, any regulations adopted by CARB to enforce the September 2020 Executive Order will require a waiver from the EPA to the extent they set stricter emissions standards than the federal government. We do not know if these waivers will be granted. If either the Advanced Clean Trucks regulation or any additional regulations adopted by CARB, including as a result of the September 2020 Executive Order, is permitted to take effect, it may slow or prevent the adoption by fleets and other commercial consumers of natural gas as a vehicle fuel, particularly in California. Moreover, as a result of the adoption of the Advanced Clean Trucks regulation and the issuance of the September 2020 Executive Order, other states have taken steps to enact similar regulations, which actions may accelerate if either regulation is permitted to take effect, thereby slowing or preventing the adoption of natural gas as a vehicle fuel in those states as well. If the Advanced Clean Trucks regulation takes effect in 2024 and/or if regulations take effect to implement the September 2020 Executive Order, we expect that it may have material negative effects on our prospects, financial condition, results of operations and the trading price of our common stock.

***Our RNG business may not be successful.***

Our RNG business consists of purchasing RNG from third-party producers, including BP, and reselling this RNG through our natural gas fueling infrastructure as Redeem, our RNG vehicle fuel.

The success of our RNG business depends on our ability to secure, on acceptable terms, a sufficient supply of RNG from BP and other third parties; to sell this RNG in adequate volumes and at prices that are attractive to customers and produce acceptable margins for us; and to sell, at favorable prices, credits we may generate under applicable federal or state programs from our sale of RNG as a vehicle fuel, including RINs and LCFS Credits. If we are not successful at one or more of these activities, our RNG business could fail and our performance and financial condition could be materially harmed.

Our ability to maintain an adequate supply of RNG is subject to risks affecting RNG production. Projects that produce pipeline-quality RNG often experience unpredictable production levels or other difficulties due to a variety of factors, including, among others, problems with equipment, severe weather, pandemics or other health crises, including

the ongoing COVID-19 pandemic, construction delays, technical difficulties, high operating costs, limited availability or unfavorable composition of collected feedstock gas, and plant shutdowns caused by upgrades, expansion or required maintenance. In addition, increasing demand for RNG will result in more robust competition for supplies of RNG, including from other vehicle fuel providers, gas utilities (which may have distinct advantages in accessing RNG supply including potential use of ratepayer funds to fund RNG purchases if approved by a utility's regulatory commission) and other users and providers. If any of our RNG suppliers experience these or other difficulties in their RNG production processes, or if competition for RNG supply materially increases, then our supply of RNG and our ability to resell it as a vehicle fuel could be jeopardized.

Our ability to generate revenue from our sale of RNG or our generation and sale of RINs and LCFS Credits depends on a number of factors, including the markets for RNG as a vehicle fuel and for these credits. The market for RNG as a vehicle fuel is subject to the same fluctuations and unpredictability that affect the market for natural gas vehicle fuel generally, which is discussed elsewhere in these risk factors. The markets for RINs and LCFS Credits have been volatile and unpredictable in recent periods, and the prices for these credits have been subject to fluctuations. For example, in 2019 market prices for RINs were as high as \$1.90 and as low as \$0.50; in the nine months ended September 30, 2020 market prices for RINs were as high as \$1.70 and as low as \$0.80. Additionally, the value of RINs and LCFS Credits, and consequently the revenue levels we may receive from our sale of these credits, may be adversely affected by changes to the federal and state programs under which these credits are generated and sold, prices for and use of oil, diesel or gasoline, or other conditions. Further, our ability to generate revenue from sales of these credits depends on our strict compliance with these federal and state programs, which are complex and can involve a significant degree of judgment. If the agencies that administer and enforce these programs disagree with our judgments, otherwise determine we are not in compliance, conduct reviews of our activities or make changes to the programs, then our ability to generate or sell these credits could be temporarily restricted pending completion of reviews or as a penalty, permanently limited or lost entirely, and we could also be subject to fines or other sanctions. Any of these outcomes could force us to purchase credits in the open market to cover any credits we have contracted to sell, retire credits we may have generated but not yet sold, reduce or eliminate a significant revenue stream or incur substantial additional and unplanned expenses. We experienced many of these effects in connection with the administrative review by CARB of our generation of LCFS Credits in the third and fourth quarters of 2017, during which we were restricted from selling and transferring accumulated LCFS Credits, we were required to make cash payments to third parties to settle preexisting commitments to transfer LCFS Credits, and certain of our LCFS Credits were invalidated. See the discussion under "Key Trends—Our Performance" in the MD&A in our 2019 Form 10-K for more information about this administrative review and its effects. Moreover, in the absence of programs that allow us to generate and sell RINs and LCFS Credits or other federal and state programs that support the RNG vehicle fuel market, or if our customers are not willing to pay a premium for RNG, we may be unable to operate our RNG business profitably or at all. Any such failure of our RNG business could have a significant negative effect on our performance, cash position and prospects.

***We are dependent on the production of natural gas vehicles and engines in our key customer and geographic markets by vehicle and engine manufacturers, over which we have no control.***

Natural gas vehicle and engine manufacturers control the development, production, quality assurance, cost and sales and marketing of their products, which shapes the performance, availability and reputation of these products in the marketplace. We are dependent on these manufacturers to succeed in our target markets and we have no influence over their activities. For example, Cummins Westport is the only natural gas engine manufacturer for the heavy-duty truck market in the United States, and this and other original equipment manufacturers currently produce a relatively small number of natural gas engines and vehicles for the U.S. and Canadian markets. These manufacturers may decide not to expand or maintain, or may decide to discontinue or curtail, their natural gas engine or vehicle product lines for a variety of reasons, including as a result of the adoption of government policies or programs such as the Advanced Clean Trucks regulation and the September 2020 Executive Order, and the supply of natural gas engines or vehicle product lines by these manufacturers may also be disrupted or delayed due to delays, restrictions or other business impacts related to the COVID-19 pandemic. The limited production of natural gas engines and vehicles increases their cost and limits availability, which restricts large-scale adoption, and may reduce resale value, which may contribute to operator reluctance to convert their vehicles to natural gas. In addition, some operators have communicated to us that the first generation models of natural gas engines for heavy-duty trucks have a reputation for unsatisfactory performance, and that this reputation or their first-hand experiences of such performance may be a factor in operator decisions regarding whether or

not to convert their fleets to natural gas. Further, the criteria pollutant (such as Oxides of Nitrogen (NOx)) reduction benefits of natural gas engines may degrade over time. The success of our business strategies and initiatives depends on sufficient availability and adoption of high-performing natural gas vehicles, and as a result, any production delays or failures by the third-party manufacturers of these vehicles or their engines could harm our results of operations, business and prospects.

***If there are improvements in or perceived advantages of non-natural gas vehicle fuels or engines powered by these fuels, demand for natural gas vehicles may decline.***

Use of electric heavy-duty trucks, buses and refuse trucks, which are key customer markets for our business, or the perception that electric vehicles providing satisfactory performance at an acceptable cost may soon be widely available for these or other applications, could reduce demand for natural gas vehicles generally and in these key markets. In addition, hydrogen, renewable diesel and other alternative fuels in development may prove to be, or may be perceived to be, cleaner, more cost-effective, more readily available or otherwise more beneficial alternatives to gasoline and diesel than conventional or renewable natural gas. Further, technological advances in the production, delivery and use of gasoline, diesel or other alternative vehicle fuels, or the failure of natural gas vehicle fuel technology to advance at an equal pace, could slow or limit adoption of natural gas vehicles. For example, advances in gasoline and diesel engine technology, including efficiency improvements and further development of hybrid engines, may offer a more cost-effective way for operators to use a cleaner vehicle fuel, which could reduce the likelihood that fleet customers purchase natural gas vehicles or convert their existing vehicles to natural gas. If any of these risks occur, our industry, prospects and results could materially suffer.

***We have a history of losses and may incur additional losses in the future.***

We incurred pre-tax losses in 2017, 2018 and the nine months ended September 30, 2020. During 2018, 2019 and the nine months ended September 30, 2020, our results were positively affected by \$26.7 million, \$47.1 million, and \$14.8 million of AFTC revenue, respectively. We may incur losses in future periods and we may never sustain profitability, either of which would adversely affect our business, prospects and financial condition and may cause the price of our common stock to fall. Furthermore, historical losses may not be indicative of future losses due to the unpredictability of the COVID-19 pandemic, and our future losses may be greater than our past losses. In addition, to try to achieve or sustain profitability, we may choose or be forced to take actions that result in material costs or material asset or goodwill impairments. For instance, in the third and fourth quarters of 2017, we recorded significant charges in connection with our former natural gas fueling compressor manufacturing business (which we combined with another company's natural gas fueling compressor manufacturing business in the CEC Combination), our closure of certain fueling stations, our determination that certain assets were impaired as a result of the foregoing, and other actions. We review our assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable and we perform a goodwill impairment test on an annual basis and between annual tests in certain circumstances, in each case in accordance with applicable accounting guidance and as described in the financial statements and related notes included in this report and our 2019 Form 10-K. Changes to the use of our assets, divestitures, changes to the structure of our business, significant negative industry or economic trends, disruptions to our operations, inability to effectively integrate any acquired businesses, further market capitalization declines, or other similar actions or conditions could result in additional asset impairment or goodwill impairment charges or other adverse consequences, any of which could have material negative effects on our financial condition, our results of operations and the trading price of our common stock.

***Increases, decreases and general volatility in oil, gasoline, diesel and natural gas prices could adversely affect our business.***

The prices of natural gas, crude oil, gasoline and diesel can be volatile and this volatility may continue to increase. Factors that may cause volatility in the prices of natural gas, crude oil, gasoline and diesel include, among others, changes in supply and availability of crude oil and natural gas, government regulations, inventory levels, consumer demand, price and availability of alternatives, weather conditions, negative publicity about crude oil or natural gas drilling, production or importing techniques and methods, economic, health and political conditions, transportation costs and the price of foreign imports. Specifically, prices for crude oil, which is the commodity used to make gasoline and diesel, have been



low in recent years, due in part to over-production and increased supply without a corresponding increase in demand, and oil prices have decreased further in recent months, hitting an all-time low due to the COVID-19 pandemic. If the prices of crude oil, gasoline and diesel continue to be low or decline further, or if the price of natural gas increases without corresponding increases in the prices of crude oil, gasoline and diesel, then we may not be able to offer our customers an attractive price advantage for RNG, CNG and LNG, market adoption of natural gas as a vehicle fuel could be slowed or limited and/or we may be forced to reduce the prices at which we sell natural gas in order to try and attract new customers or prevent the loss of demand from existing customers. Natural gas and crude oil prices are expected to remain volatile for the near future because of market uncertainties over supply and demand, including due to the current state of the world economies, energy infrastructure and other factors such as the recent decisions by Saudi Arabia and Russia to reduce the price of their oil and to increase their production. Fluctuations in natural gas prices affect the cost to us of the natural gas commodity. High natural gas prices adversely affect our operating margins when we cannot pass the increased costs through to our customers. Conversely, lower natural gas prices reduce our revenue when the commodity cost is passed through to our customers.

Pricing conditions may also exacerbate the cost differential between natural gas vehicles and gasoline or diesel-powered vehicles, which may lead operators to delay or refrain from purchasing or converting to natural gas vehicles. Generally, natural gas vehicles cost more initially than gasoline or diesel-powered vehicles because the components needed for a vehicle to use natural gas add to the vehicle's base cost. Operators then seek to recover the additional base cost over time through the lower cost to fuel a natural gas vehicle. Operators may, however, perceive an inability to timely recover these additional initial costs if RNG, CNG and LNG fuel are not available at prices sufficiently lower than gasoline and diesel. Such an outcome could decrease our potential customer base and harm our business prospects.

***We face increasing competition from a variety of businesses, many of which have far greater resources, experience, customer bases and brand awareness than we have, and we may not be able to compete effectively with these businesses.***

The market for vehicle fuels is highly competitive. The biggest competition for RNG, CNG and LNG use as a vehicle fuel is gasoline and diesel because the vast majority of vehicles in our key markets are powered by these fuels. We also compete with suppliers of other alternative vehicle fuels, including renewable diesel, biodiesel and ethanol, as well as producers and fuelers of alternative vehicles, including hybrid, electric and hydrogen-powered vehicles. Additionally, our stations compete directly with other natural gas fueling stations and indirectly with electric vehicle charging stations and fueling stations for other vehicle fuels. We also face high levels of competition with respect to our other business activities, including our procurement and sale of RNG and our transport and sale of CNG through the virtual natural gas pipelines and interconnects of our subsidiary, NG Advantage.

A number of businesses are in the market for natural gas and other alternatives for use as vehicle fuel, including alternative vehicle and alternative fuel companies, refuse collectors, industrial gas companies, truck stop and fuel station owners, fuel providers, gas marketers, utilities and their affiliates and other organizations. If the alternative vehicle fuel market grows, then the number and type of participants in this market and their level of capital and other commitments to alternative vehicle fuel programs could increase. Many of our competitors have substantially greater experience, customer bases, brand awareness and financial, marketing and other resources than we have. As a result, these competitors may be able to respond more quickly to changes in customer preferences, legal requirements or other industry or regulatory trends; devote greater resources to the development, promotion and sale of their products; adopt more aggressive pricing policies; dedicate more effort to infrastructure and systems development in support of their business or product development activities; implement more robust or creative initiatives to advance consumer acceptance of their products; or exert more influence on the regulatory landscape that affects the vehicle fuels market.

We expect competition to increase in the vehicle fuels market generally. In addition, if the demand for natural gas vehicle fuel increases, then we expect competition in the market for natural gas vehicle fuel would also increase. Any such increased competition may reduce our customer base and revenue and may lead to increased pricing pressure, reduced operating margins and fewer expansion opportunities.



***If our Zero Now heavy-duty truck financing initiative is not successful, our financial results and business could be materially adversely affected.***

One of our key strategic objectives is to fuel more natural gas heavy-duty trucks. As part of our efforts to achieve this goal, we have launched the *Zero Now* truck financing program, which is intended to facilitate and increase the deployment of natural gas heavy-duty trucks in the United States and encourage these operators to fuel their trucks at our stations. See the discussion under “Customer Markets-Trucking” in Part I, Item 1. Business of our 2019 Form 10-K and Note 12 for information about the structure of the program and certain agreements we have established in connection with its launch.

The *Zero Now* program may not be successful for a variety of reasons, including decreased demand related to COVID-19 or other future pandemics or outbreaks of illnesses, the preference of some customers to finance the adoption of natural gas as a vehicle fuel via alternative means or the continued slow or limited adoption of natural gas trucks by fleet operators. See above under “*Our success is dependent on the willingness of fleets and other consumers to adopt natural gas as a vehicle fuel, which may not occur in a timely manner, at expected levels or at all.*” If a sufficient number of truck operators do not participate in the *Zero Now* program, then it will not achieve its intended benefits and we will have expended substantial resources on an initiative that does not produce results. Moreover, even if the *Zero Now* program achieves its intended goal of facilitating growth in the U.S. heavy-duty truck market, such growth may not positively affect our results for a variety of reasons. For instance, the commodity swap arrangements we established with an affiliate of TOTAL and THUSA in connection with launching the program introduce additional risks related to volatility in crude oil prices. These arrangements are designed to protect us from fluctuations in the price of crude oil; however, we may be subject to payment obligations if truck operators participating in the program do not use all of the fuel volume covered by the arrangements and we are not able to fully and timely sell the excess fuel volume to our other customers. Any obligation to make payments under our commodity swap arrangements would increase our operating expenses and decrease our available cash flow, and any efforts to sell additional gallons to our other customers to avoid such payment obligations could result in lower margins and revenues. As a result, we could become subject to significant payments under these debt agreements without a corresponding increase in revenues, in which case our performance and liquidity would be materially adversely affected.

In addition, the structure and terms of the program subject us to certain additional risks. For example, the term credit agreement we have established to implement the program permits us to incur substantial additional debt, and the related credit support agreement obligates us to make quarterly payments in amounts that will vary depending on the outstanding principal under the term credit agreement. In addition, the amounts owed under the term credit agreement and the credit support agreement use LIBOR as a benchmark for establishing the rate at which interest accrues. In July 2017, the U.K.’s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. We intend to monitor the developments with respect to the potential discontinuance of LIBOR after 2021 and work with SG, our lender under the term credit agreement, in order to minimize the effect of such a discontinuance on our financial condition and results of operations; however, the actual effect of the anticipated discontinuance of LIBOR on us and the cost of this indebtedness remains uncertain. If SG has increased costs due to changes in LIBOR, we may experience potential increases in interest rates under the term credit agreement, which could adversely impact our interest expense, results of operations and cash flows.

We must effectively manage these risks to obtain the anticipated benefits from our *Zero Now* truck financing program and achieve our objective of fueling additional natural gas heavy-duty trucks. If we are not successful in meeting these objectives, our business, financial condition and operating results would be materially and adversely affected.

***We may need to raise additional capital to continue to fund our business or repay our debt, which could have negative effects and may not be available when needed, on acceptable terms or at all.***

We require capital to make principal and interest payments on our indebtedness, and to pay for capital expenditures, our other operating expenses, and any mergers, acquisitions or strategic investments, transactions or relationships we may pursue. If we cannot fund any of these activities with capital on-hand or cash provided by our operations, we may seek to obtain additional capital from other sources, such as by selling assets or pursuing debt or equity financing.

Asset sales and equity or debt financing may not be available when needed, on terms favorable to us or at all. Any sale of our assets to generate cash proceeds may limit our operational capacity and could limit or eliminate any revenue streams or business plans that are dependent on the sold assets. Any issuances of our common stock or securities convertible into our common stock to raise capital would dilute the ownership interest of our existing stockholders. Any debt financing we may pursue could require us to make significant interest or other payments and to pledge some or all of our assets as security. In addition, higher levels of indebtedness could increase our risk of non-repayment, adversely affect our creditworthiness and amplify the other risks associated with our existing debt, which are discussed elsewhere in these risk factors. Further, we may incur substantial costs in pursuing any capital-raising transactions, including investment banking, legal and accounting fees. On the other hand, if we are unable to obtain capital in amounts sufficient to fund our obligations, expenses and strategic initiatives, we could be forced to suspend, delay or curtail our business plans or operating activities or could default on our contractual commitments. Any such outcome could negatively affect our business, performance, liquidity and prospects.

***NG Advantage may not be successful.***

NG Advantage's business consists of transporting and selling CNG for non-vehicle purposes via virtual natural gas pipelines and interconnects. NG Advantage transports CNG to industrial and institutional energy users that do not have direct access to natural gas pipelines. NG Advantage also transports CNG between pipelines for customers that desire to take advantage of commodity price differences. NG Advantage faces unique risks, including among others: (i) it has a history of net losses and has incurred substantial indebtedness; (ii) NG Advantage will need to raise additional capital, which may not be available, may only be available on onerous terms, or may only be available from the Company; (iii) it has considerable obligations under its arrangements with BP and other customers and if NG Advantage fails to perform under such arrangements it would be subject to significant liquidated damages and we could be subject to significant cash liabilities pursuant to the terms of our guaranty agreement with NG Advantage and BP (see "Off-Balance Sheet Arrangements" in the MD&A in our 2019 Form 10-K for more information about this guaranty agreement); (iv) the labor market for truck drivers is very competitive, which increases NG Advantage's difficulty in meeting its delivery obligations; (v) NG Advantage often transports CNG in trailers over long distances and these trailers may be involved in accidents; and (vi) NG Advantage's CNG trailers may become subject to new or changed regulations that could adversely affect its business. If NG Advantage fails to manage any of these risks, our business, financial condition, liquidity results of operations, prospects and reputation may be harmed.

In addition, recently we have been the sole source of financing for NG Advantage, consisting of loans of \$12.1 million and \$26.7 million in the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively, and a \$5.0 million equity investment in the year ended December 31, 2018. If NG Advantage is not able to obtain financing from external sources, we will need to provide additional debt or equity capital to allow NG Advantage to satisfy its commitments and maintain operations.

***Our station construction activities subject us to a number of business and operational risks.***

As part of our business activities, we design and construct natural gas fueling stations that we either own and operate ourselves or sell to our customers. These activities require a significant amount of judgment in determining where to build and open fueling stations, including predictions about fuel demand that may not be accurate for any of the locations we target. As a result, we have built stations that we may not open for fueling operations and we may open stations that fail to generate the volume or profitability levels we anticipate, either or both of which could occur due to a lack of sufficient customer demand at the station locations or for other reasons. For any stations that are completed but unopened, we would have substantial investments in assets that do not produce revenue, and for any stations that are open and underperforming, we may decide to close the stations. We determined to close a number of underperforming stations in the third and fourth quarters of 2017 and recorded impairment charges in connection with these closures and other related actions, and any further station closures could result in substantial additional costs and non-cash asset impairments or other charges and could harm our reputation and reduce our potential customer base.

We also face a number of operational challenges in connection with our station design and construction activities. For example, we may not be able to identify suitable locations for the stations we or our customers seek to build. Additionally, even if preferred sites can be located, we may encounter land use or zoning difficulties, challenges obtaining

and retaining required permits and approvals or local resistance, including due to reduced operations of permitting agencies as a result of the ongoing COVID-19 pandemic, any of which could prevent us or our customers from building new stations on these sites or limit or restrict the use of new or existing stations. Any such difficulties, resistance or limitations or any failure to comply with local permit, land use or zoning requirements could restrict our activities or expose us to fines, reputational damage or other liabilities, which would harm our business and results of operations. In addition, we act as the general contractor and construction manager for new station construction and facility modification projects, and we typically rely on licensed subcontractors to perform the construction work. We may be liable for any damage we or our subcontractors cause or for injuries suffered by our employees or our subcontractors' employees during the course of work on our projects. Additionally, shortages of skilled subcontractor labor could significantly delay a project or otherwise increase our costs. Further, our expected profit from a project is based in part on assumptions about the cost of the project, and cost overruns, delays or other execution issues may, in the case of projects we complete and sell to customers, result in our failure to achieve our expected margins or cover our costs, and in the case of projects we build and own, result in our failure to achieve an acceptable rate of return. If any of these events occur, our business, operating results and liquidity could be negatively affected.

***We have significant contracts with government entities, which are subject to unique risks.***

We have, and expect to continue to seek, long-term RNG, CNG and LNG station construction, maintenance and fuel sale contracts with various government bodies, which accounted for 19%, 22% and 21% of our revenue in 2017, 2018, and 2019, respectively. In addition to normal business risks, including the other risks discussed in these risk factors, our contracts with government entities are often subject to unique risks, some of which are beyond our control. For example, long-term government contracts and related orders are subject to cancellation if adequate appropriations for subsequent performance periods are not made. Further, the termination of funding for a government program supporting any of our government contracts could result in the loss of anticipated future revenue attributable to the contract. Moreover, government entities with which we contract are often able to modify, curtail or terminate contracts with us at their convenience and without prior notice, and would only be required to pay for work completed and commitments made at or prior to the time of termination.

In addition, government contracts are frequently awarded only after competitive bidding processes, which are often protracted. In many cases, unsuccessful bidders for government contracts are provided the opportunity to formally protest the contract awards through various agencies or other administrative and judicial channels. The protest process may substantially delay a successful bidder's contract performance, result in cancellation of the contract award entirely and distract management. As a result, we may not be awarded contracts for which we bid, and substantial delays or cancellation of contracts may follow any successful bids as a result of any protests by other bidders. The occurrence of any of these risks would have a material adverse effect on our results of operations and financial condition.

***Our operations entail inherent safety and environmental risks, which may result in substantial liability to us.***

Our operations entail inherent safety risks, including risks associated with equipment defects, malfunctions, failures and misuses. For example, operation of LNG pumps requires special training because of the extremely low temperatures of LNG. Also, LNG tanker trailers and CNG fuel tanks and trailers could rupture if involved in accidents or improper maintenance or installation. Further, improper refueling of natural gas vehicles or operation of natural gas vehicle fueling stations could result in sudden releases of pressure that could cause explosions. In addition, our operations may result in the venting of methane, a potent greenhouse gas. These safety and environmental risks could result in uncontrollable flows of natural gas, fires, explosions, death or serious injury, any of which may expose us to liability for personal injury, wrongful death, property damage, pollution and other environmental damage. We may incur substantial liability and costs if any such damages are not covered by insurance or are in excess of policy limits, or if environmental damage causes us to violate applicable greenhouse gas emissions or other environmental laws. Additionally, the occurrence of any of these events with respect to our fueling stations or our other operations could materially harm our business and reputation. Moreover, the occurrence of any of these events to any other organization in the natural gas vehicle fuel business could harm our industry generally by negatively affecting perceptions about, and adoption levels of, natural gas as a vehicle fuel.

***We may from time to time pursue acquisitions, divestitures, investments or other strategic relationships or transactions, which could fail to meet expectations or otherwise harm our business.***

We may acquire or invest in other companies or businesses or pursue other strategic transactions or relationships, such as joint ventures, collaborations, divestitures or other similar arrangements. For example, in March 2017 we completed the BP Transaction, in December 2017 we completed the CEC Combination, and in October 2018 and January 2019 we established arrangements with THUSA and others to launch the *Zero Now* truck financing program.

These strategic transactions and relationships and any others we may pursue in the future involve numerous risks, any of which could harm our business, performance and liquidity, including, among others, the following: (i) difficulties integrating the operations, personnel, contracts, service providers and technologies of an acquired company or partner; (ii) diversion of financial and management resources from existing operations or alternative acquisition, investment, strategic or other opportunities; (iii) failure to realize the anticipated synergies or other benefits of a transaction or relationship; (iv) risks of entering new customer or geographic markets in which we may have limited or no experience; (v) potential loss of an acquired company's or partner's key employees, customers or vendors in the event of an acquisition or investment, or potential loss of our assets (and their associated revenue streams), employees or customers in the event of a divestiture or other strategic transaction; and (vi) incurrence of substantial costs or debt or equity dilution to fund an acquisition, investment or other transaction or relationship, as well as possible write-offs or impairment charges relating to any businesses we partner with, invest in or acquire.

***Our results of operations fluctuate significantly and are difficult to predict.***

Our results of operations have historically experienced, and may continue to experience, significant fluctuations as a result of a variety of factors, including, among others, the amount and timing of our natural gas vehicle fuel sales, station construction sales, sales of RINs and LCFS Credits and recognition of government credits, grants and incentives, such as AFTC (for example, we recorded all of the AFTC revenue associated with our vehicle fuel sales made in 2017 during the first quarter of 2018, and we recorded all of the AFTC revenue associated with our vehicles fuel sales made in 2018 and 2019 in the fourth quarter of 2019); fluctuations in commodity, station construction and labor costs and natural gas, RIN and LCFS Credit prices; variations in the fair value of certain of our derivative instruments that are recorded in revenue; the amount and timing of our billing, collections and liability payments; and the other factors described in these risk factors.

Our performance in certain periods has also been affected by transactions or events that have resulted in significant cash or non-cash gains or losses. For example, our results for 2017 were positively affected by gains related to repurchases or retirements of our outstanding convertible debt at a discount and by a gain related to the BP Transaction, but were also negatively affected by significant charges in connection with our closure of certain fueling stations, the decreased operating performance of our former natural gas fueling compressor manufacturing business, our determination of an impairment of assets as a result of the foregoing, and certain other actions. These or other similar gains or losses may not recur regularly, in the same amounts or at all in future periods.

These significant fluctuations in our operating results may render period-to-period comparisons less meaningful, especially given the current uncertainties related to the ongoing COVID-19 pandemic, and investors in our securities should not rely on the results of one period as an indicator of performance in any other period. Additionally, these fluctuations in our operating results could cause our performance in any period to fall below the financial guidance we may have provided to the public or the estimates and projections of the investment community, which could negatively affect the price of our common stock.

***We provide financing to fleet customers for natural gas vehicles, which exposes our business to credit risks.***

We directly lend to certain qualifying customers a portion, and occasionally all, of the purchase price of natural gas vehicles they agree to buy. This direct financing is in addition to our funding of the incremental cost of natural gas heavy-duty trucks purchased or leased in our *Zero Now* truck financing program. These financing activities involve a number of risks, including general credit risks associated with equipment finance relationships. For example, financed equipment often consists mostly of vehicles, which are mobile and easily damaged, lost or stolen. In addition, the borrower

may default on payments, enter bankruptcy proceedings or liquidate. The materialization of any of these risks could harm our vehicle finance business and our results of operations and liquidity.

***Our warranty reserves may not adequately cover our warranty obligations, which could result in unexpected costs.***

We provide product warranties with varying terms and durations for the stations we build and sell, and we establish reserves for the estimated liability associated with these warranties. Our warranty reserves are based on historical trends and any specifically identified warranty issues known to us, and the amounts estimated for these reserves could differ materially from the warranty costs we may actually incur. We would be adversely affected by an increase in the rate or volume of warranty claims or the amounts involved in warranty claims, any of which could increase our costs beyond our established reserves and cause our cash position and financial condition to suffer.

***We may not generate sufficient cash flow from our business to pay our debt.***

We have material consolidated indebtedness, and we are permitted to incur significant additional debt under the agreements we established in connection with our *Zero Now* truck financing program. Our outstanding and permitted indebtedness could make us more vulnerable to adverse changes in general U.S. and worldwide economic, regulatory and competitive conditions, limit our flexibility to plan for or react to changes in our business or industry, place us at a disadvantage compared to our competitors that have less debt or limit our ability to borrow or otherwise raise additional capital as needed.

Our payments of amounts owed under our agreements related to our *Zero Now* program and various other debt instruments will reduce our cash resources available for other purposes, including pursuing strategic initiatives, transactions or other opportunities, satisfying our other commitments and generally supporting our operations. Moreover, our ability to make these payments depends on our future performance, which is subject to economic, financial, competitive and other factors, including those described in these risk factors, and many of which are beyond our control. Our business may not generate sufficient cash from operations to service our debt.

If we cannot meet our debt obligations from our operating cash flows, we may pursue one or more alternative measures. Any repayment of our debt with equity, however, would dilute the ownership interests of our existing stockholders. Additionally, because the agreements governing much of our existing indebtedness contain minimal restrictions on our ability to incur additional debt and do not require us to maintain financial ratios or specified levels of net worth or liquidity, we may seek capital from other sources to service our debt, such as selling assets, restructuring or refinancing our existing debt or obtaining additional equity or debt financing. Our ability to engage in any of these activities, if we decide to do so, would depend on the capital markets and the state of our industry, business and financial condition at the time, and could also subject us to significant risks, which are discussed elsewhere in these risk factors. Moreover, we may not be able to obtain any additional capital we may pursue on desirable terms, at a desirable time or at all. Any failure to pay our debts when due could result in a default on our debt obligations. In addition, certain of our debt agreements contain restrictive covenants, and any failure by us to comply with these covenants could also cause us to be in default under these agreements.

In the event of any default on our debt obligations, the holders of the indebtedness could, among other things, declare all amounts owed immediately due and payable. Additionally, with respect to any amounts owed under our term credit agreement that are paid by THUSA pursuant to its guaranty rather than by us, THUSA would be permitted to take direct possession of funds paid by fleet operators under any fuel supply agreements we establish in connection with our *Zero Now* truck financing program. Any such declaration or possession of funds could deplete all or a large portion of our available cash flow, and thereby reduce the amount of cash available to pursue our business plans or force us into bankruptcy or liquidation.

## **Risks Related to Governmental and Environmental Regulations**

***Our business is influenced by environmental, tax and other government regulations, programs and incentives that promote natural gas or other alternatives as a vehicle fuel, and their adoption, modification or repeal could negatively affect our business.***

Our business is influenced by federal, state and local tax credits, rebates, grants and other government programs and incentives that promote the use of RNG, CNG and LNG as a vehicle fuel. These include various government programs that make grant funds available for the purchase of natural gas vehicles and construction of natural gas fueling stations, as well as the AFTC under which we generate revenue for our natural gas vehicle fuel sales made through the end of 2020 but which may not be available for vehicle fuel sales made after December 31, 2020, particularly if other legislative priorities result in insufficient focus on this program during upcoming congressional sessions. Additionally, our business is influenced by laws, rules and regulations that require reductions in carbon emissions and/or the use of renewable fuels, such as the programs under which we generate RINs and LCFS Credits by selling RNG, CNG and LNG as a vehicle fuel.

These programs and regulations, which have the effect of encouraging the use of RNG, CNG or LNG as a vehicle fuel, could expire or be repealed or amended for a variety of reasons. For example, parties with an interest in gasoline and diesel, electric or other alternative vehicles or vehicle fuels, including lawmakers, regulators, policymakers, environmental or advocacy organizations, producers of alternative vehicles or vehicle fuels, or other powerful groups, may invest significant time and money in efforts to delay, repeal or otherwise negatively influence regulations and programs that promote natural gas. Many of these parties have substantially greater resources and influence than we have. Further, changes in federal, state or local political, social or economic conditions, including a lack of legislative focus on these programs and regulations, could result in their modification, delayed adoption or repeal. Any failure to adopt, delay in implementing, expiration, repeal or modification of these programs and regulations, or the adoption of any programs or regulations that encourage the use of other alternative fuels or alternative vehicles over natural gas, would reduce the market for natural gas as a vehicle fuel and harm our operating results, liquidity and financial condition. For instance, California lawmakers and regulators have implemented various measures designed to increase the use of electric, hydrogen and other zero-emission vehicles, including passing the Advanced Clean Trucks regulation in June 2020 and issuing the September 2020 Executive Order, establishing firm goals for the number of these vehicles operating on state roads by specified dates and enacting various laws and other programs in support of these goals. Although the influence of these or similar measures on our business and natural gas vehicle adoption in general remains uncertain, a focus by these groups on zero-emission vehicles over vehicles operating on RNG and conventional natural gas adversely affects the market for natural gas vehicles and our business prospects.

***Compliance with greenhouse gas emissions regulations may prove costly and negatively affect our performance and financial condition.***

California has enacted laws and regulations that require specified greenhouse gas emissions reductions, and the federal government and several other state governments are considering similar measures. These regulations could affect several areas of our operations, including our sales of conventional and renewable natural gas and the operation of our CNG and LNG fueling stations and our LNG production plants. For instance, California's AB 32 law, which regulates greenhouse gas emissions from transportation fuels, including emissions associated with the CNG and LNG vehicle fuel we sell, imposes increased compliance costs on utilities, suppliers and/or users of CNG and LNG fuel. See the discussion under "Government Regulation and Environmental Matters - Sale of Natural Gas Vehicle Fuel, Operation of Fueling Stations and Production of LNG: Greenhouse Gas Emissions Regulation" in Part I, Item 1. Business of our 2019 Form 10-K for information about the implementation of AB 32.

The increased costs of CNG and LNG vehicle fuel as a result of AB 32 could diminish the attractiveness of these fuels for existing and prospective customers in California, which could reduce our customer base and fuel sales in one of our key geographic markets. Additionally, to the extent we are not able to pass these increased costs through to our customers, we could experience increased expenses and reduced margins. Any of these outcomes could cause our performance to suffer, impair our ability to fulfill customer contracts and reduce our cash available for other aspects of our business. Moreover, if similar laws or regulations are adopted and implemented by other states or by the federal government, or if existing laws are amended to make them more stringent, any compliance costs associated with the new



or amended laws could amplify these effects. Further, any such new or more stringent laws or regulations could require us to undertake or incur significant additional capital expenditures or other costs to, among other things, buy emissions or other environmental credits or invest in costly new emissions prevention technologies. We cannot estimate the expenses we may incur to comply with potential new laws or changes to existing laws, or the other potential effects these laws may have on our business, and these unknown costs and effects are not contemplated by our existing customer agreements or our budgets and cost estimates.

In addition, any failure by us to comply with existing or any future emissions laws or regulations could result in monetary penalties or a variety of other administrative, civil and criminal enforcement measures, any of which could have a material adverse effect on our business, reputation, financial condition, liquidity and results of operations.

***Our business is subject to a variety of government regulations, which may restrict our operations and result in costs and penalties or otherwise adversely affect our business and ability to compete.***

We are subject to a variety of federal, state and local laws and regulations relating to the environment, health and safety, labor and employment, building codes and construction, zoning and land use, the government procurement process, any political activities or lobbying in which we may engage, public reporting and taxation, among others. It is difficult and costly to manage the requirements of every authority having jurisdiction over our various activities and to comply with their varying standards. Many of these laws and regulations are complex, change frequently, may be unclear and difficult to interpret and have become more stringent over time. Any changes to existing regulations or adoption of new regulations may result in significant additional expense to us or our customers. For example, some communities and cities, like Berkeley, CA, have banned new natural gas hook-ups. In addition, in June 2020, California passed the Advanced Clean Trucks regulation, which seeks to have all new commercial vehicles sold in California have zero-emissions by 2045, and in September 2020, California's Governor issued the September 2020 Executive Order, which seeks to have 100% of medium- and heavy-duty vehicles in California be zero emission by 2045. See the discussion above under "Our success is dependent on the willingness of fleets and other consumers to adopt natural gas as a vehicle fuel, which may not occur in a timely manner, at expected levels or at all" for additional information. Further, from time to time, as part of the regular evaluation of our operations, including newly acquired or developing operations, we may be subject to compliance audits by regulatory authorities, which may distract management from our revenue-generating activities and involve significant costs and use of other resources. Also, we often need to obtain facility permits or licenses to address, among other things, storm water or wastewater discharges, waste handling and air emissions in connection with our operations, which may subject us to onerous or costly permitting conditions or delays if permits cannot be timely obtained.

Our failure to comply with any applicable laws and regulations could result in a variety of administrative, civil and criminal enforcement measures, including, among others, assessment of monetary penalties, imposition of corrective requirements or prohibition from providing services to government entities. If any of these enforcement measures were imposed on us, our business, financial condition and performance could be negatively affected.

#### **Risks Related to Our Common Stock**

***A significant portion of our common stock is beneficially owned by a single stockholder that may have interests that differ from yours and that is able to exert significant influence over our corporate decisions, including a change of control.***

Following our issuance and sale of our common stock to Total Marketing Services, S.A. ("TMS"), a wholly owned subsidiary of TOTAL, in June 2018, TOTAL holds approximately 25% of our outstanding shares of common stock and the largest ownership position of our Company. In addition, TOTAL was granted certain special rights that our other stockholders do not have in connection with its acquisition of this ownership position, including the right to designate two individuals to serve as directors of our Company and a third individual to serve as an observer on certain of our board committees. TOTAL or other large stockholders may be able to influence or control matters requiring approval by our stockholders, including the election of directors and mergers, acquisitions or other extraordinary transactions. TOTAL, however, may have interests that differ from yours and may vote or otherwise act in ways with which you disagree or that may be adverse to your interests. A concentration of stock ownership may also have the effect of delaying, preventing or deterring a change of control of our Company, which could deprive our stockholders of an opportunity to receive a

premium for their shares of our common stock as part of a sale of our Company and could affect the market price of our common stock. Conversely, such a concentration of stock ownership may facilitate a change of control under terms you and other stockholders may not find favorable or at a time when you and other stockholders may prefer not to sell.

***Sales of our common stock, or the perception that such sales may occur, could cause the market price of our stock to drop significantly, regardless of the state of our business.***

All outstanding shares of our common stock are eligible for sale in the public market, subject in certain cases to the requirements of Rule 144 under the Securities Act. Also, shares of our common stock that may be issued upon the exercise, vesting or conversion of our outstanding stock options and restricted stock units may be eligible for sale in the public market, to the extent permitted by Rule 144 and the provisions of the applicable stock option and restricted stock unit agreements or if such shares have been registered under the Securities Act. For instance, we filed a registration statement with the SEC to cover the resale of the 50,856,296 shares of our common stock issued and sold to TMS, which registration statement was declared effective in August 2018. If these shares are sold, or if it is perceived that they may be sold, in the public market, the trading price of our common stock could decline.

### **General Risk Factors**

***We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.***

Increased global IT security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. There have been several recent, highly publicized cases in which organizations of various types and sizes have reported the unauthorized disclosure of customer or other confidential information, as well as cyberattacks involving the dissemination, theft and destruction of corporate information, intellectual property, cash or other valuable assets. There have also been several highly publicized cases in which hackers have requested “ransom” payments in exchange for not disclosing customer or other confidential information or for not disabling the target company’s computer or other systems. Implementing security measures designed to prevent, detect, mitigate or correct these or other IT security threats involves significant costs. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, we have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks and it is possible that in the future our safety and security measures will not prevent the systems’ improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyberattacks. Any IT security threats that are successful against our security measures could, depending on their nature and scope, lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, operational disruptions and substantial financial outlays. Further, a cyberattack could occur and persist for an extended period of time without detection, and an investigation of any successful cyberattack would likely require significant time, costs and other resources to complete. We may be required to expend significant financial resources to protect against or to remediate such cyberattacks. In addition, our technology infrastructure and information systems are vulnerable to damage or interruption from natural disasters, power loss and telecommunications failures. Any failure to maintain proper function, security and availability of our information systems and the data maintained in those systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties, harm our business relationships or increase our security and insurance costs, which could have a material adverse effect on our business, financial condition and results of operations.

***The price of our common stock may continue to fluctuate significantly, and you could lose all or part of your investment.***

The market price of our common stock has experienced, and may continue to experience, significant volatility. Factors that may cause volatility in the price of our common stock, many of which are beyond our control, include, among others, the following: (i) the factors that may influence the adoption of natural gas as a vehicle fuel, as discussed elsewhere in these risk factors; (ii) our ability to implement our business plans and initiatives, such as our *Zero Now* truck financing program, and their anticipated, perceived or actual level of success; (iii) failure to meet or exceed any financial guidance we have provided to the public or the estimates and projections of the investment community; (iv) the market’s perception



of the success and importance of any of our acquisitions, divestitures, investments or other strategic relationships or transactions; (v) the amount of and timing of sales of, and prices for, RINs and LCFS Credits; (vi) actions taken by state or federal governments to mandate or otherwise promote or incentivize alternative vehicles or vehicle fuels over, or to the exclusion of, natural gas; (vii) changes in political, regulatory, health, economic and market conditions; and (viii) a change in the trading volume of our common stock.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies, but which have affected the market prices of these companies' securities. These market fluctuations may also materially and adversely affect the market price of our common stock.

Volatility or declines in the market price of our common stock could have other negative consequences, including, among others, further impairments to our assets (following the asset impairment charges we recorded in the third and fourth quarters of 2017 related to our former natural gas fueling compressor manufacturing business and our closure of certain fueling stations), potential impairments to our goodwill and a reduced ability to use our common stock for capital-raising, acquisitions or other purposes. The occurrence of any of these risks could materially and adversely affect our financial condition, results of operations and liquidity and could cause further declines in the market price of our common stock.

## Item 2.—Unregistered Sales of Equity Securities and Use of Proceeds

### *Issuer Purchases of Equity Securities*

On March 12, 2020, our Board of Directors approved the Repurchase Program for up to \$30.0 million (exclusive of fees and commissions) of our outstanding common stock. The Repurchase Program does not have an expiration date, and it may be suspended or discontinued at any time.

The Repurchase Program does not obligate us to acquire any specific number of shares. Repurchases under the Repurchase Program may be effected from time to time through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated share repurchase transactions, or other methods of acquiring shares, in each case subject to market conditions, applicable securities laws and other relevant factors. Repurchases may also be made under Rule 10b5-1 plans.

The following table summarizes the share repurchase activity during the three months ended September 30, 2020 (in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Program
July 1, 2020 through July 31, 2020	892,350	\$ 2.41	892,350	\$ 17,324
August 1, 2020 through August 31, 2020	136,372	\$ 2.43	136,372	\$ 16,992
September 1, 2020 through September 30, 2020	206,470	\$ 2.46	206,470	\$ 16,484
Total	<u>1,235,192</u>	\$ 2.42	<u>1,235,192</u>	<u>\$ 16,484</u>

(a) Exclusive of fees and commissions.

## Item 3.—Defaults Upon Senior Securities

None.

**Item 4.—Mine Safety Disclosures**

None.

**Item 5.—Other Information**

None.

**Item 6.—Exhibits**

The information required by this Item 6 is set forth on the Exhibit Index that immediately precedes the signature page to this report and is incorporated herein by reference.

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
31.1*	<a href="#"><u>Certification of Andrew J. Littlefair, President and Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of Robert M. Vreeland, Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>Certification of Andrew J. Littlefair, President and Chief Executive Officer, and Robert M. Vreeland, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of December 31, 2019 and September 30, 2020; (ii) Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2019 and 2020; (iii) Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2019 and 2020; (iv) Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2019 and 2020; (v) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2020; and (vi) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

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\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLEAN ENERGY FUELS CORP.

Date: November 5, 2020

By: /s/ ROBERT M. VREELAND  
Robert M. Vreeland  
*Chief Financial Officer*  
*(Principal financial officer and duly authorized*  
*to sign on behalf of the registrant)*

**Certification**

I, Andrew J. Littlefair, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clean Energy Fuels Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ ANDREW J. LITTLEFAIR

Andrew J. Littlefair

*President and Chief Executive Officer*

*(Principal Executive Officer)*

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### Certification

I, Robert M. Vreeland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clean Energy Fuels Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ ROBERT M. VREELAND

Robert M. Vreeland  
*Chief Financial Officer*  
*(Principal Financial Officer)*

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**CERTIFICATION REQUIRED BY  
SECTION 1350 OF TITLE 18 OF THE UNITED STATES CODE**

Each of the undersigned hereby certifies in his capacity as the specified officer of Clean Energy Fuels Corp. (the “Company”), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

/s/ ANDREW J. LITTLEFAIR

Andrew J. Littlefair

*President and Chief Executive Officer*

*(Principal Executive Officer)*

Date: November 5, 2020

/s/ ROBERT M. VREELAND

Robert M. Vreeland

*Chief Financial Officer*

*(Principal Financial Officer)*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

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