

-04-04 12:07:02 EDT

CITGO Warns Branded Retailers of Illegal Fuel Comingling; Audits Underway

CITGO has recently sent out a letter to its branded gasoline retailers, warning and reminding them not to comingle unbranded fuel with branded supplies, according to a CITGO letter obtained by OPIS.

CITGO said in the letter that "the purpose of this letter is to formally advise you that each and every retail gas station operating under the Citgo brand," is strictly required -- both by contract and by federal and state law -- to sell CITGO-brand fuel and only CITGO-brand fuel. The letter was delivered by certified mail and a return receipt was requested.

OPIS notes that some branded customers in the country could supplement their branded fuel supply with cheaper unbranded products to boost their profit margins or increase their retail price competitiveness on the street. However, this comingling of products is in violation of branded-fuel contract terms and conditions.

Branded retailers are to buy fuel only from their respective branded suppliers, and these retailers are to fly the brand flags. Unbranded supply does not come with a brand flag, and it is sold in the open rack at the terminals either on a guaranteed volume contract or first-come-first-serve basis.

Sources told OPIS that CITGO is planning to carry out fuel inventory audits at random CITGO-branded retail stations this year, the second consecutive year CITGO has done so.

While CITGO has done fuel inventory audits once every few years in the past, this is the first time it is inspecting its branded customers two years in a row, the company said.

It is unclear if CITGO had rounded up a higher-than-expected number of retailers last year for illegal fuel comingling last year, prompting a second inspection in two years.

CITGO said "delivery of unbranded fuel (or branded fuel from a supplier other than Citgo) to a Citgo branded station may render your company contributorily liable for violations of federal trademark law, including the Lanham Act, 15 U.S.C., 1051, et seq."

"We strongly encourage you to take steps to ensure that the motor fuels your company delivers to Citgo branded stations is, in fact, Citgo brand gasoline," it said.

CITGO reserves all of its rights in the event it determines that its customers are responsible for delivering non-CITGO-brand motor fuels to any CITGO branded station.

CITGO has more than 5,500 branded retail outlets in 28 states and sells approximately 6.5 billion gallons of refined products.

--Edgar Ang, eang@opisnet.com