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CITGO Catches 20-plus Branded Retail Stations in N.J. for Fuel Commingling

CITGO has forced CITGO-branded retailers in more than 20 locations in New Jersey to remove the CITGO identification from their locations, and CITGO has canceled the retailers' rights to use CITGO trademarks, according to the New Jersey Gasoline, C-Store, and Automotive Association (NJGCA) on Wednesday.

This follows an OPIS report on April 4 that CITGO sent out a letter to its branded gasoline retailers, warning and reminding them not to commingle unbranded fuel with branded supplies. 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.

Sal Risalvato, executive director of NJGCA, said that several retailers were also required to pay a heavy monetary penalty to reimburse CITGO for a settlement that they made with the New Jersey Attorney General's Office as a result of the weights and measures investigation, which started three years ago.

"While I have never been notified by the Attorney General's office that a settlement had been reached, and I'm not privy to the terms of that settlement, I applaud the New Jersey Office of Weights and Measures for pursuing this initiative," he said.

Risalvato said that state investigators found evidence of commingling unbranded gasoline into branded locations, and commingling regular gasoline into premium gasoline tanks.

"After convening a meeting with NJGCA, several concerned distributors, and state officials, Weights and Measures used the information that was given to them, and found that a large number of CITGO locations had been commingling cheaper, inferior gasoline into their branded locations," he said.

OPIS reported earlier in April 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 commingling 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.

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

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