Minnesota Commerce Department Investigation Returns $7.425 Million to the State from Oil Companies

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For Immediate Release

SAINT PAUL, MN – Commerce Commissioner Mike Rothman has finalized settlement agreements with Chevron, Exxon Mobil, and ConocoPhillips totaling $7.425 million to be returned to the Petroleum Tank Release Cleanup Fund (Petrofund) for the state to use in the clean-up of contaminated property at underground storage tank sites.

The settlement agreements are part of a 15-month investigation looking into the companies’ dealings with Minnesota’s Petrofund. All three oil companies sought and obtained reimbursement for cleaning up polluted property associated with leaking petroleum storage tanks at service stations. The Commerce Department became aware of possible agreements between the companies and their insurers and initiated an investigation to determine whether or not any of the costs reimbursed to the oil companies by the Petrofund were also payable under applicable insurance policies.

“Our investigation indicated that big oil companies had double dipped in essence by obtaining Minnesota’s Petrofund money dedicated for cleaning up petroleum contamination when evidence pointed toward the oil companies also receiving insurance proceed money for the same clean-up costs,” said Commerce Commissioner Mike Rothman. “Recovering this money from these major oil companies to Minnesota’s Petrofund will help ensure that these public funds are used for Minnesota’s petroleum clean-up projects.”

The Department’s investigation included requesting and analyzing numerous documents from the companies. The investigation revealed alleged misrepresentations related to the insurance coverage on the applications to the Minnesota Petrofund. The Petrofund requires applicants to disclose whether insurance policies exist, and to what extent the policy can cover environmental damages involving underground storage tank sites before seeking state funds. In certain situations, the investigation alleged that the companies had obtained insurance payments from settlements with carriers for the costs to clean up the same sites for which the Petrofund Board had provided reimbursement. The Petrofund provides
reimbursement to eligible applicants to help cover a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. In this case, the State asserted that Chevron, Exxon Mobil, and ConocoPhillips failed to disclose the fact they had insurance policies to cover the clean-up. The companies voluntarily engaged in negotiations with the Department resulting in the settlement agreements.

“This investigation and settlement is a good example of the Commerce Department working with the Petrofund Board to insure that people's money is spent fairly according to the rules,” said Petrofund Board Petroleum Industry Member Vern Kelley. “This settlement will allow the per gallon tank fee used to raise revenue for the Fund to be assessed at a much later date.”

The Petrofund is funded through an intermittent fee of $.02 per gallon on petroleum products assessed to distributors. In addition to allowing the Petrofund Board to postpone the imposition of the fee, saving consumers money at the pump, the $7.425 million returned to the Fund due to Commerce’s action against Chevron, Exxon Mobil, and ConocoPhillips will likely cover all reimbursement claims paid out by the Fund over the next fiscal year.

Leaks from petroleum storage tanks are one of the leading causes of groundwater pollution and an issue that affects the safety of all Minnesotans. Since 1987, Minnesota’s Petrofund has helped petroleum retailers, business owners, school districts, local governments and homeowners pay for investigating and cleaning up over 13,000 petroleum-contaminated leaksites and removing over 300 abandoned underground petroleum storage tanks from across the state to keep Minnesota’s soil and groundwater clean.

What we do: Petrofund

The Petrofund is overseen by the five-member Petroleum Tank Release Compensation Board, which is made up of a public member, a member with experience in claims adjustment, a petroleum industry member, the Commissioner of the Pollution Control Agency, and the Commissioner of Commerce. The Fund was created by the Minnesota State Legislature in 1987 in response to federal legislation requiring all owners and operators of regulated underground petroleum storage tanks to show that they have up to $1 million immediately available to respond to a petroleum tank leak or liability to a third party. To help tank owners and operators fulfill these requirements, and to address historical petroleum contamination throughout the state, the Legislature made financial assistance available through the Petrofund.