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From: Eric Blomgren, Executive Director, NJ Gasoline, Convenience Store, Automotive Association

Re: The Truth About Lukoil stations

First off, I want to be absolutely clear that I strongly support all the actions taken to sanction Russia in retaliation for its unjust war of aggression against Ukraine, and furthermore I salute actions being taken by the Governor and the Legislature to have New Jersey be the leader among US state governments in cutting off any financial support that enables Putin's invasion or regime.

I am reaching out proactively on this issue given the recent action by the Newark City Council urging the city's Business Administrator to suspend the business licenses of the two Lukoil branded stations within the city.¹ I want to make sure that before your municipal government considers taking any kind of similar governmental action against the local Lukoil station in your town, you understand the reality of the situation.

What some people seem not to understand is that the Lukoil stations found in this state are not being managed or operated by the Russian Lukoil corporation, but by individual franchisees, small business men and women who have signed multi-year contracts to operate these locations. They invest significant amounts of money, time, and sweat to keep these businesses open and their families fed. Running a small business, especially a retail business, is one of the greatest challenges there is in this country. That has always been true, and even more so after coming out of nearly two years of the COVID-19 pandemic, which gutted gasoline demand even after most restrictions were removed.

I have seen reports of other businesses like liquor stores choosing to stop stocking Russian manufactured liquors, and I applaud them for their initiative. But these Lukoil franchisees do not have that option. In addition to the fact that these contracts last for years, in most of these locations the actual land is owned by Lukoil North America, meaning if the franchisee wants to change brands they would just get kicked out of the location and replaced with someone else. Many of these franchisees never even chose to be associated with Lukoil, they were Getty or Mobil locations purchased in bulk by Lukoil about twenty years ago. I am also concerned that if these locations were to be closed by either state or local government the franchisee would still be liable

¹ <https://www.cbsnews.com/newyork/news/boycott-lukoil-newark-city-council/>

for the monthly rent payment to Lukoil as well as other financial requirements stipulated by the contract—and with no income with which to make the payment.

Small businesses—and particularly gas stations—have long been a difficult but rewarding pathway to achieving the American Dream for immigrants from across the world. They have also been a business passed across multiple generations of American citizens. These are the people who would be victimized if the government were to decide to shut these businesses down. Their employees, also proud New Jersey residents, would also be out of work. Even now these businesses are facing boycotts by local customers and have seen their sales drop precipitously. It is one thing for private individuals to take this action, but it would be something else entirely for the government to step in and shut them down.

We also feel that the shutdown of any of these stations by either state or local government would be of dubious constitutionality. Licenses held by these businesses are not in the name of some Russian oligarch but in the name of the American franchisee. Among the council members in Newark there was talk of sacrifice, but if they truly believed in across-the-board sacrifice, they should be compensating the affected franchisee for the taking of his business. I have no doubt that any governmental action that shut down any of these Lukoil franchisees would be met with legal action by the affected business owners.

Shutting down these stations would have an infinitesimal impact on Lukoil globally or Russia generally. Even the motor fuel that these franchisees purchase wholesale from Lukoil is not actually Russian oil, it is purchased entirely from US refiners and just labeled as Lukoil. For the record I would have no objection to either the State or the federal government banning importation of Russian oil. Furthermore, given Russia being kicked out of the SWIFT system and the global financial system generally I am not even aware of how any minimal profits being made by them from these franchisees could make it back to Russia.

If you do not want to take my word on this, I recommend the recent CNN article “Boycotting Lukoil would sting US gas station owners more than Russia's oil company”² as well as this well researched article by the objective fact-checker Snopes which concludes “a successful boycott could require financial devastation — if not ruination — among many dozens of local entrepreneurs in the United States, as well as sudden unemployment for their hundreds of workers, in order to achieve what would be only a very small financial impact on the Russian parent company, or its bosses in Moscow”³.

² <https://www.cnn.com/2022/03/01/business/russia-lukoil-boycott/index.html>

³ <https://www.snopes.com/fact-check/lukoil-russia/>

Finally, I encourage you to reach out to the business owner who would be affected by any kind of closure and hear their story. I hope this information has been helpful to you, and I am available to discuss further, feel free to email me anytime at Eric@njgca.org.

Thank you for your consideration.

