

Pay for Performance Contracting for Petroleum Site Cleanup --Information Sheet--

What is Pay for Performance Contracting?

A Pay for Performance (PFP) cleanup agreement sets a firm, fixed price for a cleanup at a leaking underground storage tank (LUST) site (or group of sites). Unlike the traditional “time and materials” approach to LUST cleanup contracting, the cleanup contractor gets paid incrementally based on meeting predetermined contamination reduction goals. The specific price, interim payment milestones, contamination level goals and time for reaching the goals are all agreed to before cleanup begins. Contractors are rewarded for quickly and efficiently reaching cleanup goals, which in turn can result in faster and more cost effective cleanups that protect public health and the environment.

Key Components

- Firm fixed price
- Guaranteed environmental results
- Incremental payments based on attainment of contamination reduction levels specified in the contract
- Less administrative overhead
- Can be used on new releases or existing, stalled “time and materials” cleanups
- Escape clauses to protect the interests of the state, the contractor, and responsible party—specifies conditions under which the contractor may be released from the contract

Benefits

Regulatory Community	<ul style="list-style-type: none"> • Achieves faster, more efficient cleanups that protect public health and the environment • Minimizes paperwork, administrative costs, and delays • Focuses on contamination reduction, not invoice review • Promotes innovative cleanup strategies
Cleanup Contractors	<ul style="list-style-type: none"> • Offers prompt payment for environmental results • Results in minimal reimbursement disputes • Produces higher profits for faster cleanups • Allows for less oversight by the regulatory agency as well as more cleanup control • Promotes innovative remediation systems
Responsible Parties	<ul style="list-style-type: none"> • Encourages faster, more efficient, competitively-priced cleanups

Over 14 states have used PFP. States have reported that their PFP cleanups have resulted in faster and more effective tank cleanups. Some states have even coupled PFP with multi-site cleanup agreements to further increase cleanup efficiencies.

Why Try PFP Now?

- Converts flatlined sites
- Expedites cleanup backlogs
- Maximizes state budgets
- Fosters reuse of Petroleum Brownfields sites

“The results were outstanding. Site costs have come down because the emphasis is on closing the site to make money rather than keeping the site open to make money.” *Oklahoma*

“PFP is cleaning sites up faster and saving staff time at the State level.” *California*

“We’re feeling very positive about going down the PFP road, especially since we discovered two rewards that we weren’t anticipating—clearer goals and better remedial systems”. *Vermont*