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Chevron Corp. to Acquire Hess Corp. in Deal Worth $53 Billion

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In a significant move, Chevron Corp. has announced its acquisition of Hess Corp. in an all-stock deal valued at $53 billion. This marks another monumental consolidation in the U.S. oil industry.

On Monday, both companies released a statement detailing the terms of the acquisition. For each of their shares, Hess shareholders are set to receive 1.025 shares of Chevron, translating to a price of $171 per Hess share. Including debt, the total enterprise value of Hess post-acquisition is estimated to stand at $60 billion.

This Chevron-Hess deal comes hot on the heels of another major consolidation. Exxon Mobil Corp. recently confirmed its $58 billion acquisition of shale-oil producer Pioneer Natural Resources Co. This series of mergers reinforces the belief in the sustained importance of oil and gas in the global energy landscape.

Mike Wirth, chairman and chief executive officer of Chevron, commented on the acquisition, stating, “This combination positions Chevron to strengthen our long-term performance and further enhance our advantaged portfolio by adding world-class assets.”

Hess Corp. holds historical significance in the U.S. Virgin Islands. In January 1966, under Hess Oil Virgin Islands Corporation, it built the oil refinery on St. Croix. This was subsequent to their acquisition of the property from Annie de Chabert. By October that same year, the refinery was operational. Its capacity witnessed a major expansion in 1974, surging to a peak of 650,000 barrels per day. Later, in 1998, the refinery's operations were taken over by Hovensa LLC, a joint venture between Hess Corporation and PDVSA.

Hovensa faced challenges over the years. It incurred a penalty of $5.3 million in January 2011 due to violations of the Clean Air Act. By 2012, the company made the decision to shut down the refinery. Though it continued as a storage terminal until 2015, it too closed later that year. An acquisition proposal by Atlantic Basin Refining was declined by the USVI Senate. However, in November 2015, a successful purchase was made by Limetree Bay Terminals, a joint venture between ArcLight Capital Partners and Freepoint Commodities.

Backstory on ArcLight's Involvement

ArcLight, a U.S. private equity firm which invests the retirement savings of Maine teachers, NFL football players and Mayo Clinic doctors, in December 2015 signed an agreement during the Mapp administration to operate an oil storage terminal at the south shore facility. At the time, ArcLight Partners' Jake F. Erhard was confident that the operation would be profitable.

“We look at [HOVENSA] as the new hub for the marketplace,” Mr. Erhard told the Consortium in Dec. 2015. “That really and earnestly is what our strategy is, and we have every incentive to maximize the site in every way we possibly can. And we have tremendous experience beyond the terminal space — we have experience across the energy space as well.”

The company would go on to run a smooth oil terminal operation, but in 2018 the firm increased its investment to restart oil refining, announcing along with the agreement the immediate hiring of 1,200 employees to get the process off the ground. Back then, the estimated cost of restart was $1.4 billion. Since that time, however, cost to restart the facility swelled to nearly $2.7 billion, according to Reuters.

The restart faced multiple delays adding up to more than a year, with investment partner BP at one point contemplating exiting the agreement if refining did not commence by Dec. 2020, according to a Reuters report last year.

On February 1, Limetree Bay announced the start of oil refining. At the time, Jeffrey Rinker, chief executive officer of Limetree, stated, “We are thrilled to commence operations and begin producing quality fuels for our customers. As we move into Limetree’s next chapter of commercial operations, we are well positioned to succeed. In these difficult economic times, we are thankful to be able to support growth in the local economy and be a source of significant local employment for many years to come.”

However, the company faced a number of issues soon after, including toxic releases that affected the west side of St. Croix. The problems culminated with a 60-day halt of refining ordered by the EPA following a massive flare incident on May 12 that released plumes of smoke and oil particles into the atmosphere.

According to Reuter's, "contractors hired to help restart the refinery also claim they are still owed millions of dollars for their work, according to liens filed with the U.S. Virgin Islands Recorder of Deeds."

Linda Woods, 69, a retired English teacher in Maine, said she never liked the idea of her retirement dollars funding investments in fossil fuels, according to the Reuters Report. But she said she hopes the problems at Limetree Bay will encourage the state legislature to limit oil and gas investments by the pension plan in the future. “This could be a watershed moment,” Woods said.