

The Virgin Islands Consortium

HOVENSA Sale Not Official, But Deal Closer Than Ever

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In a radio interview Saturday ahead of today's meeting with Governor John de Jongh concerning the sale of the shuttered HOVENSA refinery, Senator Terrance "Positive" Nelson revealed, with certainty, the sale had already been completed. Today, however, senators attending the meeting at Government House spoke with a bit more caution, stating that "Hovensa did reach an agreement, in principle, with the buyer."

This is to say that while there are serious talks with a buyer and it appears the refinery will be sold, the deal has not yet been closed.

"One of the statements that [the governor] made at the end of the meeting is that Hovensa did reach an agreement, in principle, with the buyer," Senator Samuel Sanes

said, "which is, to me, that's excellent news. The fact is, we do see progress. We see the possibility of the beginning...of the increase of employment, which is a big plus."

Sen. Judi Buckley provided some background on the current status of the sale.

"One company has put in a bid to purchase the refinery, but it has not been officially sold," Buckley said. "The governor has not yet started negotiating with them with [what] the operation agreement is going to look like, that's what he's calling it, not a concession agreement. He wanted to meet with us to get the green light to move forward."

Buckley further confirmed a sale could be right around the corner, but noted the various steps required before any real benefit of a sale could be felt on St. Croix.

"The company is very, very interested in moving forward with the sales process," she said, "so once they do negotiate and purchase, which should be hopefully soon, then they will employ an engineering firm that will go out and do an assessment of the refinery that will take about six months."

Buckley said if everything checks out after the six-month assessment, the new owners will make all the necessary moves to make the facility fully operational.

When asked about the price the refinery is being sold for, Buckley said neither the governor nor the senators have been made privy to the sale amount, nor do they know the name of the actual buyer.

"He just started looking at their sales agreement, I guess you could call it, and he wanted to study that before then sitting down and putting together an operational agreement," Sen. Buckley explained.

And, Sanes says, the governor welcomes input from the Senate.

"What the governor did mention is that this body, the legislative body, can submit suggestions and recommendations [on what we would like to see], like more scholarships or more involvement in the community," he explained.

Another important detail to come out of today's meeting, the senators say, had to do with the buyer's intent to run an operation of equal size to HOVENSA.

"This company's desire is to operate the refinery at the level it was operating when it closed, which is three-hundred fifty thousand barrels, not the max, which I think is five-hundred thousand barrels," Buckley explained.

Furthermore, the senator said the new owners plan to run a much cleaner operation.

"They do not desire to operate the dirty crude [oil] from Venezuela," she said. "They want to do the sweet oil from the United States."

Both Buckley and Sanes stressed that cat cracker and croger oils will not be used at the refinery this time around, which will significantly lessen the environmental impact of its operation.

What about the jobs?

When HOVENSA closed its doors in 2012, over 2,000 workers lost their jobs. However, Buckley said the number of employees that will be hired to work at the new refinery will be significantly less.

"The maximum [employees] is between a thousand and twelve hundred," she said.

Sanes added, "There will be twelve hundred people working at the refinery, but it wasn't clarified the contractual employment number."

"Every refinery has to have contractors that come and go, so the hope is that that employment number may rise," Buckley offered.

Currently, there are approximately 500-550 employees working at HOVENSA, as the defunct refinery is being used as an oil-storage facility. Buckley noted that the governor said many of those employees will remain on staff when the refinery comes under new ownership.

"Assuming that they receive a favorable engineering report after the initial six-month assessment, then they will continue to ramp up to ultimately be at their max," she said.

Time frame

"The governor said that he hopes to get us the operational agreement to be able to vote on before the election," Buckley said, when asked how soon the HOVENSA sale would be finalized. "There's a sense of urgency, for sure."

And, upon the sale of the refinery, should the engineering firm not give a favorable assessment after its six-month evaluation, Governor de Jongh is prepared to step in.

"The governor's plan is to negotiate a contingency plan in the operational agreement so that we come out on top and we don't lose our backs," Buckley concluded.