

The Virgin Islands Consortium

Why Was ABR The Only Company That Placed A Bid On HOVENSA? De Jongh Explains

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Of the many questions and concerns some Virgin Islanders have raised about the Atlantic Basin Refining (ABR) Operating Agreement that was signed by Governor John de Jongh, Jr. and is now awaiting Senate approval, the one which remains an enigma, is that, according to Governor de Jongh, out of the 142 companies approached by Lazard Asset Management, the firm hired by HOVENSA to facilitate the sale of the refinery, only ABR, founded in November 2013, placed a bid to purchase the refinery.

The fact is we have a facility on St. Croix [and] it is still considered a facility that can be attractive. One of the reasons that we believe there was not a host of purchasers or bidders on the facility, is because a lot of the

established entities don't want to bring another competitor into the market. --
Gov. de Jongh.

Governor de Jongh went into detail about the process in an [audio file](#) released the second week of November, listing the various firms Lazard approached.

Said Governor de Jongh: "This is a process that started back in January of 2012, and at that point the owners of HOVENSA wanted to shutdown the facility or idle the facility without a restart completely, so we've come a very long way and [have] gone through a lot of steps to get to this process.

"Right now what we are operating under is that, in a recent letter than was sent to me, the owners counsel informed the Senate President, [Shawn Michael-Malone] and myself, that they only have funding that runs until the month of December. At that point, they'll have no additional funding and they will, if the [ABR Operating Agreement] is not approved, the intent is to start shutting down. This goes back to the position that they had before, so we need to recognize that.

"In addition to that, I shared with the Senators a letter from Lazard Asset Management, the investment bank that the owners had selected, and Lazard laid out to us that they went to 142 potential purchasers that they thought to be interested in obtaining the refinery. They went to 17 U.S. refiners, they went to 26 international refiners, they went to six national oil companies, they went to 16 global trading firms, 50 private equity firms, and they went to 25 other potential buyers. Of those numbers, 121 said they were not interested, and of the remaining number, only Atlantic Basin Refining, put forth a bid that was subject to further negotiations with the government, had principles that were in the refining business, and indicated that they could obtain the finances."

The Governor, in his [latest audio files](#), offered one of the reasons he believes only ABR placed a bid for the shuttered oil refinery.

"The fact is we have a facility on St. Croix [and] it is still considered a facility that can be attractive," the Governor said. "One of the reasons that we believe there was not a host of purchasers or bidders on the facility, is because a lot of the established entities don't want to bring another competitor into the market."

The Governor then explained what he believes to be ABR's intentions: "What's being proposed here by ABR is to bring a merchant refinery back into the market, which will then add a significant economy value to the refinery, and begin to generate revenues and taxes for the government, or more than that, also business activity on the island of St. Croix and throughout the territory."

De Jongh went on to say that the risk of allowing ABR to purchase and run the HOVENSA refinery is worth taking because, "not to take that risk, allowing to go [before the Senate on December 19th], not making a decision, just results in us having a facility there that basically will continue to deteriorate and quite frankly, puts us at risk with respect to the taxes, and also puts at risk their permits."

The Governor concluded by stating that the decision could be mitigated, or made less severe, as long as ABR can get to closing, and, he said, "Everything indicates they can get to closing based on the representations that have been made to us. So, I'm hoping

that the discussions the Senators may be having with the representatives of HOVENSA, have given them the comfort level that they need, with respect to the time frame they've made to make a decision on this agreement."

ABR has said it is in talks with lenders who are ready to supply financing for the deal, however representatives admitted they do not have the capital readily available to foot the \$200 million HOVENSA price tag, referring to their company as "thinly capitalized."

Image Credit: Bloomberg

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