

The Virgin Islands Consortium

Vialet: I Want HOVENSA To Be Sold; St. Croix Needs Jobs

Business / **Published On April 14, 2015 09:23 PM /**

Ernice Gilbert **April 14, 2015**



CROIX –Sen. Kurt Vialet wants the HOVENSA refinery sitting on St. Croix's south shore to be sold. But not just to any company looking to make a profit; Vialet wants a deal that is beneficial to the territory as well.

That's what the top vote-getter in the 2014 senatorial race told *VI Consortium* during an interview at his office located at the senate building in Frederiksted on Friday, adding that the Government of the Virgin Islands (GVI) has lost hundreds of millions in taxes since the refinery's closure.

"I do strongly believe that the refinery needs to be sold," Violet said. "I strongly believe that the refinery needs to be reopened." The senator said the effects of HOVENSA's closure were spotlighted at the recent [Revenue Estimating Conference](#) (REC), where it was revealed the government has been losing over \$100 million annually in taxes.

"At one point, we were getting more than \$100 million in corporate income tax from HOVENSA alone," he said. "We saw years where we collected \$175 million in corporate income tax that is reduced to \$65-\$75 million, so we saw the direct hit."

Violet's concern is with the unemployment rate on St. Croix, [currently 13.3 percent](#) and more than double the [national average](#). The senator sees no logic in having what he calls a world-class facility with a deep water port, cat cracker and sulfur unit sitting idly while time passes on and skilled residents continue to migrate.

"We have a state-of-the-art facility that could be revitalized and come online again," Violet said. "Yes, it's going to take some money, but anybody that's investing in a refinery must have deep pockets. And I think sometimes we get scared when we hear a couple hundred million dollars, but there are entities that invest \$1 billion to get a refinery opened; there are entities that spend three, four, five billion dollars in order to open a refinery. And the type of production that HOVENSA is capable of -- 300+ thousand barrels a day -- it won't be a long time for a very successful entity to recoup that money."

At a press conference held at Government House on Tuesday, April 9, Governor Kenneth Mapp said "any elected official giving the public the impression that someone would buy the refinery and turn the switch on and it would be processing oil is misleading the community in a horrible way."

The governor added: "At our meeting with Hess, PDVSA and HOVENSA, it was clear that that refinery cannot refine any oil in its current condition unless there are significant -- hundreds of millions of dollars invested in that plant to be able to do that."

Mapp, on numerous occasions, has said he gives little thought to who HOVENSA sells its refinery to, and has been focused on litigation with the owners of the refinery in relation to some \$40 million the government says HOVENSA owes it for breaching a Settlement Agreement that would see the government receiving \$40 million by December 31, 2014.

During a meeting between the owners of HOVENSA and the Mapp administration, Timothy Goodell, senior vice president of Hess Corp., made clear that the only way the V.I. Government would receive the \$40 million owed it by HOVENSA is if HOVENSA is able to sell the refinery -- even if language in the Settlement Agreement stated otherwise.

"I was a bit dismayed by the comment and asked for some clarification, and it was restated. And so, in short, and in layman's terms, what Mr. Goodell said was that, 'I have your \$40 million and if we are unable to get a buyer who will provide \$40 million to pay for it, the \$40 million that is due and owing to you, we would use that money to mothball the plant and shut it down,'" Mapp said in response to Goodell's comments. Violet, along with all other members of the 31st Legislature, supported the governor's call for \$1 million to retain legal counsel.

However, [retaining legal counsel to fight for monies owed the government by HOVENSA](#), and thinking that it means senators do not support the sale of the beleaguered refinery are two very different scenarios, Violet said.

Violet said there have been discussions with groups that are interested in acquiring the refinery with the end goal of full operations, and it is his belief that the government should pursue those entities. Yet, while the senator will negotiate strongly on the territory's behalf, he acknowledges that tax incentives must be added to the equation.

"I am not saying to giveaway everything but we need jobs on St. Croix and definitely, we're going to need some type of tax incentives for them to invest in the Virgin Islands, and tax incentives are being given out throughout the Caribbean, so we definitely need it.

"HOVENSA was getting tax incentives before and now I'm looking to something that might be a bit similar as long as we can make sure than we can provide 1,000 jobs."

Violet then revealed that he's had conversations with interested parties and said he has relayed to them his expectations which, apart from the mandatory 1,000 jobs, should not include an operating agreement that would release HOVENSA from all its liabilities, "known and unknown."

"If you are successful in getting the plant, please make sure that that language is not in the agreement because I can't vote for anything that says that," he said.

The refinery, he said, is "definitely a catalyst for growth," and should be able to provide fuel for cruise ships to bunker on St. Croix, and fuel for the aviation business, among other opportunities. And while Violet doesn't want to make the mistake of putting all St. Croix's eggs in one basket, "that is one egg I want in the basket," he said, referring to a functioning refinery on the south shore of the biggest of the three islands.