

The Virgin Islands Consortium

Senators Show Support For ArcLight HOVENSA Deal And Administration's \$1.2 Billion Suit Against HESS Oil

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ST. CROIX -- Following a Monday press conference held at Government House here, where Governor Kenneth Mapp revealed to the territory that the owners of HOVENSA had reached a deal with ArcLight Capital Partners, LLC to operate the shuttered refinery's terminal, The Consortium spoke to several legislators in an attempt to gauge the deal's chances of winning Senate approval.

Senator Clifford Graham, chairman of the powerful Committee on Finance, spoke favorable of the deal, and said his main reason for doing so was because this island needed a boost in economic activity.

"I like the fact that we can have economic activity on that site," he said, referring to HOVENSA, "be it as it may just the oil storage facility, but nonetheless it brings economic activity."

The senator also supports the governor's move to [sue HESS Oil for some \\$1.2 billion](#), contending that HOVENSA's owners must know that the territory "means business."

"I certainly feel that HOVENSA made a pact with the Virgin Islands Government with the Fourth Concession Agreement in which there were some milestones, and they were supposed to be met, but the refinery didn't meet those milestones -- including \$14 million in lieu of property taxes, and plus \$40 million in environmental payments at the end of December, 2014," Graham said.

"The sale [did not go through](#) so they still owe us that \$40 million. To go forward and to not pay us that money is them really being disingenuous. So I like the stern position that we are taking," he added.

Graham pointed out that the duration of the contract was set to expire in 2022 -- almost 10 years away.

"You have ripped all kinds of tax benefits over the years and in return you're supposed to stay here until 2022 -- so they breached the contract," he said. "Let's go after them and let's see what we can do to recoup what is due to the Government of the Virgin Islands."

And Graham would like to see the refining side of the facility reopen, "because that's the part that can really hire the large workforce that we need here, particularly on the island of St. Croix," he said.

He was, however, cognizant to the current price of oil on world markets, admitting that conditions are not favoring a refinery like HOVENSA at the moment.

"At the same token we've got to be mindful of where oil prices are today," Graham said. "Looking at a refinery like HOVENSA, where they are using fossil fuel to refine the crude into petroleum products, that is the most expensive way to run a refinery.

"So will HOVENSA be attractive to someone today with where oil prices are? No. But I think the one benefit that we do have going for us is that we are exempt from the [Jones Act](#), so any company that decides to purchase the facility can certainly use foreign ships to bring oil in, and also take refined products into the U.S."

Sen. Novelle Francis said he would like to see "whatever can be done with HOVENSA -- whether oil storage or refining -- going as soon as possible, because that would mean jobs for the people as well as taxes to the territory."

Francis pointed to this island's economy, stating that it's in a "dive right now."

And Vialet, who The Consortium has spoken to several times in relation to the sale of HOVENSA, has consistently maintained his stance that the facility should be sold.

"I do strongly believe that the refinery needs to be sold," Vialet told this publication in April. "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."

But Violet's dream will only be partially realized once the new deal goes through. ArcLight Capital Partners, LLC has said [it would hire](#) 70 employees for the 13 million barrels of storage currently online at HOVENSA, and more once the remaining capacity -- 17 million more -- come online.