

The Virgin Islands Consortium

AG Walker Issues Subpoena To PDVSA Demanding Answers On Role In 'Illegal' Abandonment Of HOVENSA

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ST. CROIX -- A subpoena served by the Attorney General of the United States Virgin Islands earlier this month demands that the government-owned oil company of Venezuela explain its role in an illegally abandoned oil refinery project owned and operated by the Hess Corporation, a press release Government House issued this afternoon revealed.

Hess has been accused of breaking the law when it shut down a HOVENSA nearly a decade before its legal obligations were complete.

According to the release, the Venezuelan government has been deeply involved in the operations of the illegally shuttered refinery. Since 1998, a now government-owned oil company, PDVSA, owned half of the entity that financed and operated the refinery, a wholly-owned Hess subsidiary owns the other half.

The refinery underwent significant renovation to allow it to process the high sulfur Venezuelan crude oil from PDVSA (Petroleos de Venezuela, South America), the oil company of Venezuela. However, the press release states that once Venezuela fully nationalized PDVSA in 2009, Venezuela became a less attractive long-term partner for Hess.

The suit [filed against Hess in September](#) seeks damages of at least \$1.5 billion dollars, a figure that covers at least \$150 million in annual benefits to the Virgin Islands over the ten-year period from 2012 to 2022 that Hess was obligated under the law to continue operating the refinery. Those damages will be tripled under the Virgin Islands' Criminally Influenced Corrupt Organizations law, under which the Government brought its action, the release further stated.

"The Government of the Virgin Islands will investigate Venezuela's conduct and will follow the law and facts, wherever and to whomever they lead," said Claude E. Walker, the Acting Attorney General of the U.S. Virgin Islands. "Shutting down the plant was not only devastating to the people of the Virgin Islands, it was, as our lawsuit lays out, also illegal."

The subpoena delivered to Venezuela's PDVSA, for which a response is due November 2nd, seeks information and documents related to, among other things, the decision to shut down the refinery, the company's profits from the refinery, activities related to the maintenance of the refinery that might have been the cause of a number of the environmental incidents, and any agreements with Hess or other parties that might have benefited financially from the refinery.

The Hess oil refinery was established in the mid-1960s as a long-term commercial relationship based on mutual obligations and benefits, involving the construction, maintenance and operation of a large, world-class refinery on St. Croix, the largest of the four main islands in the United States territory.

The agreement, which provided tax benefits for Hess valued over the years at more than \$6 billion, was enacted by the Virgin Islands legislature. The agreement was renewed most recently in 1998 to include the partnership with Venezuela, with a legal obligation to operate the refinery through 2022. With one day's advance warning, John Hess, the CEO of the Hess Corporation, notified the government in January 2012 that the company would shut down the refinery.

As a result of the shutdown of operations at the plant, thousands of jobs were lost as well as income and other benefits for government and people of the Virgin Islands. The refinery provided more than a quarter of the private income on the island of St. Croix, according to the release.

In addition to the economic hardship, there were significant environmental consequences related to the plant shutdown. In 2014, Hess agreed to pay \$40 million to address its contamination of groundwater on the island; that settlement has not yet been paid. Hess

also has been fined by EPA for violations of the Clean Air Act.

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