

The Virgin Islands Consortium

ArcLight Has Identified Potential Partners To Restart Some Refining Units At HOVENSA

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ST. THOMAS -- While ArcLight Partners, LLC, the government's winning bidder to acquire all of HOVENSA, will not refine oil, the company has identified potential partners with vast experience in the industry to start refining at some east plant locations, according to ArcLight Director Evan Schwartz, speaking to The Consortium at Government House here following a press conference [held to announce an operating agreement](#) between the Government of the Virgin Islands and ArcLight.

"When we look at the site as a whole, especially with respect to the western part of the refinery, it's impossible to restart the whole thing to anything it looked like before," Mr. Schwartz said. "We are interested in maximizing the value of the site, and we have talked

to parties who want to start individual units, some of which are small, some of which are a little bigger, so we are going to explore every possibility on that front."

He added: "Some of these parties that we have talked to are highly credible, and in addition, they have other infrastructure on the U.S. Gulf Coast for instance, where they have asset and would be able to bring that product to St. Croix and run it through a certain refining process. So we're not restarting the refinery in full, but we're going to do everything we can to restart units that are commercially viable."

According to the operating agreement, Limetree Bay Holdings, an ArcLight subsidiary, will conduct an 18-month evaluation of refinery potential for certain refining units. If restart is not "commercially feasible," Limetree Bay will dismantle the unutilized portion of the refinery, and after holding an initial profit of \$5 million for itself, the company will share all profits from refinery decommissioning 50-50 with the GVI.

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Following a Consortium question during the press event about potential for employment growth, Mr. Schwartz said while the safe number is 200 in the span of two years, the company has committed to spending over \$100 million for various work activities at the plant, which will see multiple contractors being contracted to carry out the jobs. These companies also are expected to hire local workers aside from ArcLight's 200 employees. And it will be harder for job hunters to move to the territory and claim residency, because the rules have changed.

"The same residency requirement will be applicable to that work," Mr. Schwartz went on, referring contractors who will have to abide by the updated residency requirement announced by Governor Kenneth Mapp yesterday. The new requirement moves the amount of time needed to be considered a resident of the territory from three months to one year.

"We certainly expect the operation of the facility -- as we grow beyond 13 million barrels, expanding it to 26 and beyond, the work that we're looking at around the idled refinery units and some of the other expansions that the governor mentioned -- will require more employees than that minimum baseline number. So our expectation is that it will grow overtime, and we structured an agreement where there is a minimum amount, but we expect to exceed that given the scale of the operations that we intend to be undertaking at the site," Mr. Schwartz added.

The Consortium also spoke to Jeremiah J. Ashcroft III, recently named chief executive officer in the ArcLight portfolio of companies, who revealed some of the jobs that surround oil storage.

"Some of it is tough labor -- tank cleaning, welding, piping, putting new floating roofs in tanks and keeping the security up," Mr. Ashcroft said. "Then you go to that next level of operator: people that are very proficient in making sure that we're running a safe, reliable, delivery system."

Mr. Ashcroft mentioned extensive work to be conducted on a world class dock at the plant; adding that some of these projects "are in the hundreds of millions of dollars."

"You've got to bring into the facility a great workforce from the island to get those things off the ground," he added. "And all of the companies that we have alliances with, that help us with tanks, piping, electrical, valves and pumps -- they all know that our intent is that we want to use as much of the local talent as possible. And so once you already know that's the intent, it's easy to get it done and we've had great success on other islands doing it."

The landmark ArcLight agreement, if approved by the 31st Legislature, is contracted for 25 years, with a 15-year renewal option. According to the agreement, seen [here](#), the GVI is expected to see \$800 million in revenue over the contract's duration, with \$220 million being made available to the government upon sale, a number much higher than the \$40 million the government would have earned if the Atlantic Basin Refining (ABR) agreement [had succeeded](#).

Feature Image: From left to right: Governor Kenneth Mapp, ArcLight Partner Jake F. Erhard, a Sinopec and Freepoint Commodities representative, and Lieutenant Governor Osbert Potter.

Image Credit: Government House.