

The Virgin Islands Consortium

ArcLight Sees HOVENSA As 'New Hub' For Oil Storage Marketplace

Business / **Published On December 02, 2015 11:13 AM /**

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ST. THOMAS -- Buckeye Partners, the losing bidder in the HOVENSA auction proceedings, has a tank storage terminal in St. Lucia that it purchased [from HOVENSA in December, 2013](#). According to HOVENSA agreement documents provided by Government House, Buckeye only became involved in the process after Limetree Bay Holdings, an ArcLight subsidiary, began proactively seeking to acquire the HOVENSA facility, located on the south shore of St. Croix. Furthermore, the documents say, the reopening of the oil storage terminal at HOVENSA serves as a direct threat to Buckeye's Caribbean operations, hence the move by Buckeye to attempt to purchase the facility, which, if they had been successful, would "never restart as an independent terminal operation."

But ArcLight sees HOVENSA as the crown jewel for oil storage and a global leader in the market. According to ArcLight Partner Jake F. Erhard, while Buckeye has a network of storage facilities that it hopes to keep strong through strategic acquisitions, ArcLight intends to pour a considerable amount of resources into the St. Croix plant.

"We look at [HOVENSA] as the new hub for the marketplace," Mr. Erhard began. "That really and earnestly is what our strategy is, and we have every incentive to maximize the site in every way we possibly can. And we have tremendous experience beyond the terminal space -- we have experience across the energy space as well."

It's the reason that, even before the deal was reached, ArcLight sought and found major partners in the industry, including Sinopec, an AA-rated, Chinese state oil company, that generated more than \$400 billion in revenues for fiscal year 2014. The nearly half a trillion dollars in revenues helped classify the firm as a [global Fortune 3 company](#). Sinopec has already purchased ten million of the 13 million barrels of oil stored at the facility, and has committed to purchasing 75 percent of all capacity throughout a ten-year agreement that it signed with Limetree Bay.

"We are bringing a significant customer on day one to be the anchor tenant at the facility, and we're committing to investing certain logistical assets around the site. So, for example, we're putting a new ship unloading facility that is able to allow what is called very large crude carriers (VLCCs) -- the largest oil tankers in the world -- to be able to unload and reload oil at the facility. That is a capability the facility does not have, and it really puts it in a world class designation," Mr. Erhard told The Consortium.

"That's one of the first things we're going to do. It's important to Sinopec and it's really going to put this facility on the map and allow it to provide a lot more services to the marketplace, and that's why I think that this is really a great thing for St. Croix, for the islands, and we really do think that we are uniquely situated to try and make that happen. Given our experience and singular focus, this is our crown jewel asset that we are going to focus on maximizing the value of."

The oil storage capacity at HOVENSA's terminal is 32 million barrels. Buckeye's St. Lucia facility reaches its limit at 10.3 million barrels. According to ArcLight Director Evan Schwartz, speaking to The Consortium yesterday at Government House here, the goal is to arrive at the 32 million storage capacity by the end of 2016, once the deal is ratified by the 31st Legislature.

Feature Image: From left to right: ArcLight Partner Jake F. Erhard and Governor Kenneth Mapp sign the operating agreement, while Lieutenant Governor Osbert Potter, far right, looks on.

Image Credit: Government House.