

# The Virgin Islands Consortium

## ArcLight Deal Passage All But Assured; But Hearing Will Be Held On St. Croix Before Ratification

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Ernice Gilbert **December 17, 2015**



ST. THOMAS -- "I do not believe that time, standing alone, should be a reason to sacrifice a sound, productive solution for the Virgin Islands... And I urge the 31st Legislature to ratify [the operating agreement] today. Let me be clear, respectfully, this honorable body must act during this session or else the entire deal will fall apart by the end of the month. It would be a lost opportunity for the people of the Virgin Islands, so the failure to act will have catastrophic consequences for the U.S. Virgin Islands. It will be forever a lost opportunity for the people of the Virgin Islands. There is no doubt about it -- the failure to act will have dreadful results for the entire Virgin Islands."

Those were the words of recently approved Attorney General Claude E. Walker at Wednesday's 12-hour long Senate hearing at the Earle B. Ottley Legislative Hall here, that turned off members of the 31st Legislature, who seemingly had already made up in their minds that they would need more time before approving the operating agreement signed between the Government of the Virgin Islands and Limetree Bay Holdings, LLC, a subsidiary of ArcLight Partners, LLC.

Senate President Neville James, who came out swinging against Mr. Walker's ultimatum, revealed that hearings would be held on St. Croix, set for Monday, December 21, before a deal could go through. And a special session called by Governor Kenneth Mapp for today, "ain't going to last long," Mr. James said, suggesting that lawmakers would be in and out the Senate quickly, taking no action on bill no. 31-0283.

But, despite their displeasure with Mr. Walker's tough talk, senators were generally pleased with the agreement; and offered little probing questions that would cause it to fail.

The agreement would see the Virgin Islands netting \$220 million upon ratification "within weeks," said Finance Commissioner Vladimir Collens. While it frees Limetree Bay from paying any taxes, the GVI would receive at least \$7 million annually in lieu of foregone taxes, and provides at least 80 direct employment jobs, with ArcLight representatives making known yesterday that they would hire, in total, around 200 employees early 2016 to ramp up startup efforts.

Senator Kurt Vialet made a point of highlighting the value of the oil storage facility at HOVENSA, as if to remind the territory that while St. Croix needs to see an economic revival -- which could well be started with the reopening of the now-shuttered facility -- oil storage capacity is running thin around the world; even while the demand for storage continues to grow because global oil supplies continue to swell. He read from a Wall Street Journal article titled, [Crude Moves To Sea As Inventories Swell](#), which revealed that Europe was running at 97 percent capacity, and in the U.S., crude stockpiles are around their highest level in more than 80 years. The article added that in South Africa, one of the world's largest crude storage hubs, Saldanha Bay, is already full, according to Citi Research data.

"So little storage is left onshore that traders are increasingly chartering supertankers to use as floating tanks, which analysts say is an expensive way to stash oil given the current price," it added.

For Mr. Vialet, it was a realization that the current climate in the world of oil had placed St. Croix in a great position, in that, were the deal to fail, the gloom and doom scenario relayed by Mr. Walker would not necessarily unfold the way the attorney general described.

"When I read this, I said, wow. HOVENSA is a very, very lucrative property right now because it is closed and we have tanks that are ready to open in January," Mr. Vialet said. "That is why we have the interest of Buckeye [and] the interest of Sinopec.

"So now it is for us to make sure that we have the best agreement. The reality of the project on St. Croix, is you can expand to 60 million barrels of storage capacity and have

it occupied within two years very easily, because they're looking for expansion," Mr. Violet went on.

Testifiers, which included a myriad of Governor Kenneth Mapp administration top officials such as Department of Planning and Natural Resources Commissioner Dawn Henry, Mr. Collens, Bureau Of Internal Revenue Director Marvin Pickering and Mr. Walker, among others, all stood unwavering behind the administration's stance. And representatives of ArcLight, Freepoint Commodities and Sinopec, along with experts in the field of oil, gave convincing reasons to support the deal.

Senators asked a myriad of questions that were returned with mostly solid answers from testifiers, who came well prepared. And even Attorney Kevin Rames, who testified on behalf of Buckeye, encouraged the senators to move forward with the ArcLight/GVI agreement; his testimony taking senators by surprise, who said they had expected a different tone.

"You've testified that despite the fact that your client (Buckeye) would like to be the ultimate purchaser of this facility, that the entity currently being considered on the operating agreement is honorable, respectable and capable," stated Senator Nereida Rivera-O'Reilly, speaking of Mr. Rames' testimony, which appeared to have given the greatest boost yet to ArcLight.

Mrs. Rivera-O'Reilly, who said she hadn't met ArcLight officials before Wednesday, added: "I have read the operating agreement almost four times -- three times fully and halfway through the fourth, and the purchase agreement twice -- I have tried to find a reason why I should oppose it, and I just can't find one."