

The Virgin Islands Consortium

Mapp, ArcLight, Announce Restart Of Refining At Limetree Bay With 1,200 Immediate Jobs Followed By 700 Permanent Employees

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ST. CROIX -- Governor Kenneth Mapp announced a landmark agreement between the Government of the Virgin Islands and ArcLight Partners, LLC, the owners of the Limetree Bay oil storage terminal, on Monday, for oil refining at the south shore facility -- capping what had been months of community speculation as well as [a Consortium story on the deal](#).

Today, the governor said the deal between the parties to restart refining at Limetree Bay, the former HOVENSA facility, "provides that the owners will invest approximately \$1.4

billion to refurbish the existing refinery over the next 18 months," creating during that time more than 1200 construction jobs and as many as 700 permanent jobs once the turnaround phase is over.

ArcLight's goal is to have refined crude oil at Limetree Bay by January 2020, confirming The Consortium report.

Notably, the governor did not mention British Petroleum, which multiple sources, including a well-placed Mapp administration person, said was part of the agreement. When queried by this reporter about the glaring absence of BP from his speech today, the governor didn't dispute BP's participation, but refused to give out details as to the extent of the firm's role.

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"This is an agreement that provides for the owners of the refinery to invest the capital to turn the refinery around and turn it on," Mr. Mapp said. "Now, the industry is changing so that some of the entities are saying to their shareholders, 'I don't want to acquire refineries anymore, I don't want to operate refineries anymore, I want to be on the downstream side of the business. So I want to get involved with someone who has refineries, whose producing product, I want to be able to provide stock or buy finished product from this entity. And so ArcLight has positioned itself to be just that. And if the receiver of the product is the downstream, I have to make the presumption that the guys are providing the upstream side of it."

He added, "And so ArcLight will continue to work that through, and at an appropriate time when those issues are resolved to the government, to the Legislature, we will make those appropriate announcements. But we have to leave ArcLight to do its business transactions with whomever they feel that they're doing them with, that they're assured it's going to happen because they're beginning to spend their \$1.4 billion."

Pressed on giving a direct answer on BP's involvement, the governor said with a smile, "And that's the second time you mention them but I'm not going to mention them."

It appears that the parties involved with the deal are shielding BP's involvement until after the deal is ratified by the Legislature. The governor said the agreement, which was signed today, would be forwarded to the Senate in the form of a bill. He also called the Legislature into special session on July 25, 2018.

The addition of 700 permanent jobs would be new employees to the already 750 currently working at Limetree Bay. Under the new agreement, 200,000 barrels of crude oil would be produced daily, a number that pales in comparison to HOVENSA's heyday output of 700,000 barrels per day, but one that is significant nonetheless.

"This agreement is great news for the people of the Virgin Islands as we continue to grow and expand our economy," the governor proclaimed. "The restart of the refinery will inject hundreds of millions of dollars into our economy, generate new tax revenues to our government, and create hundreds of non-refinery jobs in addition to those created at the refinery itself."

While the St. Croix economy stands to benefit the most from the restart, the governor said oil refining would fuel growth territory-wide. To back this up, Mr. Mapp announced a 110-room "upscale lifestyle" hotel branded as either Hilton, Hyatt or Intercontinental to be constructed on St. Thomas ([full story on the new hotel](#)). Additionally, he said, the Government Employees' Retirement System (G.E.R.S.) will receive a direct flow of funding from the agreement to help it remain solvent for at least the next five years ([story on G.E.R.S.](#)).

Upon closing of the transaction, ArcLight Partners will make a closing payment to the Government of the Virgin Islands of [\\$70 million](#). This closing payment will provide \$30 million for the purchase from the government of approximately 225 acres of land and 122 homes. The closing payment also provides \$40 million prepayment to the government for taxes by the new refinery entity created by ArcLight Partners. Once refining at the facility commences, and after crediting the new entity its \$40 million in prepaid taxes, Limetree Bay will make annual payments to the government of \$22.5 million, Mr. Mapp said.

"We the government expect to receive more than \$600 million over the first 10 years of the restart of the refining operations," Mr. Mapp said. He added, "For comparison sake, in the over 30 years that Hess Oil operated the refinery on the island of St. Croix, the company paid approximately \$330 million in corporate taxes to the government. And as you may recall, [in 2015, Hess Oil filed suit](#) for the return of those taxes," Mr. Mapp said.

During the ratification process, Mr. Mapp said ArcLight will detail its strategy to hire 1,200 workers to prepare for refining. Virgin Islanders, the governor added, will be given first preference in all hiring, with the government assisting in the publicizing of the job opportunities through advertisements.

For residents of St. Thomas and St. John interested in working at the refinery, housing will be provided free of charge, the governor said, creating an attractive incentive for those considering making the move.

"This is a historic opportunity for the Virgin Islands," the governor said. "I look forward to working with the members of the Legislature and our partners at Limetree Bay to realize this potential for the benefit of all our people."

Feature Image: An aerial shot of the former HOVENSA Refinery, now Limetree Bay Terminals, LLC. (Credit: Ernice Gilbert, VIC)

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This article was last updated at 12:27 p.m.