

The Virgin Islands Consortium

With The Revival Of St. Croix's Economy At Stake, Senators Press Limetree Bay, Mapp Officials At Daylong Hearing On Oil Refining Restart Deal

Business / **Published On July 21, 2018 11:37 AM /**

Ernice Gilbert **July 21, 2018**



ST. CROIX -- "Glory days are here again! Glory days are here again, guys," Senator Brian Smith proclaimed at the top of his lungs as the first round of questioning began after hours of testimony during a Committee of the Whole hearing on the landmark agreement forged between ArcLight Partners LLC's Limetree Bay and the Government of the Virgin Islands, to restart oil refining on the south shore of St. Croix.

The hearing, held at the Cardiac Center's conference room on St. Croix, started early Friday and went into the night, and featured hours of testimony from Mapp administration

officials and representatives, among them Valdamier Collens, Attorney General Claude Walker, Attorney Joel Holt, and Jake Erhard from ArcLight Partners, Darius Sweet, CEO of Limetree Bay Terminals, and a number of other stakeholders.

There were also a number of testifiers in support and against the restart that placed their testimony on record, hoping to sway the senators in their direction.

A key theme from Mapp administration, ArcLight Partners and Limetree Bay officials was the need to ratify the agreement, seen in full [here](#), as soon as possible, because of a critical window of opportunity that would give Limetree Bay the opportunity to maximize profits in the first four years of operating the restarted refinery -- which supporting testifiers told senators was one of the main reasons that ArcLight Partners decided to invest in oil on St. Croix.

According to ArcLight and Mapp administration testifiers, a change to the rules of the International Convention for the Prevention of Pollution from Ships (known as MARPOL), lowers the amount of sulfur permitted in marine fuels (also known as bunker fuels) from 3.5 percent to 0.5 percent. When the rule revision comes into effect, the testifiers said, it will create an economic opportunity for the refinery to process discounted feedstocks and to produce low-sulfur marine fuels and other high value refined products. The change is set to take effect in 2020, and ArcLight is hoping to seize the window of opportunity with refining on the south shore ready also by 2020, allowing it to be one of the few refineries positioned that would be capable of meeting the new refining rules.

"This MARPOL opportunity is critical to the underwriting of capital investment for the refinery restart, making it very important that we work to bring the refinery back online by the end of 2019," said Mr. Erhard, partner at ArcLight Partners. "As such, we very much appreciate the help of the Senate in expediting the review and consideration of the new refinery operating agreement, the approval of which is an essential step in keeping the restart on schedule."

Mapp administration, ArcLight Partners and Limetree Bay testifiers also highlighted the economic benefits the restart of oil refining would bring to St. Croix and the U.S. Virgin Islands as whole. They spoke of 1,300 jobs during the construction (turnaround) period, which is expected to start this year and last all of 2019 ahead of a 2020 schedule for refining, if the deal is ratified by lawmakers. It is projected to create 700 additional jobs at the refinery upon the 800 already working at the oil storage terminal, and USVI Bureau of Economic Research Senior Policy Analyst Donnie Dorsett, said during the hearing that the restart would contribute \$87.8 million to the territory's gross domestic product over the 18-month turnaround period.

Mr. Dorsett also spoke of the indirect effect the restart would have on local businesses. "For instance, indirect effects would consist of jobs created at the supplier for the facility," he said, including building supplies purchased at local stores and wholesalers. "This would add an additional approximately 98 jobs," he said. Mr. Dorsett said B.E.R. expects consumer spending will rise as residents' purchasing power grows.

Mr. Sweet emphasized Limetree Bay's determination to seek out former HOVENSA employees, many of whom have moved to various parts of the U.S., Canada and the Middle East in search of opportunities, and lure them back to St. Croix to work at the

refinery. Mr. Sweet said some have already returned, and that Limetree Bay has been going through a long list of the former workers in an effort to assure that the refinery is filled with local individuals.

The officials stressed Limetree Bay's determination to hire locals. But some senators sought to understand the definition of a local as it relates to the agreement, which Mr. Walker described as essentially someone who has lived in the territory for a year. Senator Dwayne DeGraff expressed concern with the definition, stating that anyone could come to the territory, live here for a year and be considered a local. But he was quickly reminded that the U.S. Virgin Islands is owned by the U.S., and that defining who constitutes a local any stricter would violate individual rights of American citizens.

A key area of concern for lawmakers was the environmental impact of the possible restart, and they sought clarification from testifiers. Senator Nereida Rivera-O'Reilly in particular, who has conducted extensive research on the matter, sought assurances from Department of Planning and Natural Resources Commissioner Dawn Henry that Environmental Protection Agency (E.P.A.) rules would be enforced. Ms. Rivera-O'Reilly also asked Mrs. Henry whether the territory could come up with its own environmental protection rules even stronger than those of the E.P.A. Mrs. Henry responded affirmatively, and said such rules would not need legislation to be applied.

Senators indicated on Friday that they would remove other portions of the bill that are not directly related to refining and deliberate on those other aspects -- including the new hotel project on St. Thomas and matters related to G.E.R.S. -- separately. And some lawmakers complained that the time given to ratify the measure was not adequate for such a landmark agreement.

Most of them appeared to be in support of refining on St. Croix, however, cognizant of the economic impact it would have on the St. Croix and Virgin Islands economy. But Senator Positive Nelson appeared to be staunchly opposed to the agreement, passionately raising the environmental and health impacts of a restart of oil refining on the south shore, even after the promise of strict oversight by D.P.N.R., and the fact that Limetree Bay Terminals has had a good record relative to the environment. (The facility has had five oil spills since its two-year existence, Mr. Sweet said, none of which were major and all of which came within the first year when Limetree Bay was still in the process of inspecting lines that were not in use since the 2012 closure of HOVENSA. And none of the spills was on a scale to warrant D.P.N.R. intervention, Mr. Sweet said.)

Mr. Nelson was having none of it.

"We're acting here desperate; now is the time for creative leadership and guess what, I'm seeing it around the island. I'm seeing a lot of startups happening, clean startups," Mr. Nelson said. "I mean, just the other day we had a big fiasco in the Legislature. We were disputing burning wood, and I heard some of my colleagues talk about burning wood as if it was the most dangerous thing in the world. And now we're talking about petrochemical, crude with a high sulfur and we're going forward. What is wrong with us? And all I'm saying is let us take careful contemplation. One earth, one life. Your money can't save you when you're sitting in that bed sick with cancer."

Senator Kurt Violet, who has been championing the creation of jobs and economic opportunities on St. Croix, reminded his colleagues and all present at the hearing of how the oil refining had transformed St. Croix into an Eastern Caribbean powerhouse. He spoke of the migration of Caribbean nationals to the territory when the refinery opened, and the instant middle class that was created. He spoke of partnerships with HOVENSA that led to major projects on St. Croix, one of them being the construction of the St. Croix Education Complex and CTEC. St. Croix, in those days, was a booming island with a growing middle class that powered the territory -- all led by HOVENSA and its subcontractors that employed thousands of people.

Then came 2012, Mr. Violet reminded, when the refinery shuttered. The economic impact shattered the USVI. Businesses closed, private schools closed, and St. Croix's middle class -- looking to keep up their lifestyles -- migrated, heading to the U.S. in Texas and other states, as well as Canada and the Middle East.

"We have to be cognizant of the environmental concerns and we got to be better, but part of that has to do with us as a people," Mr. Violet said. "And in this agreement we should make sure that we mandate that through this agreement, D.P.N.R. gets X amount of money for staff and equipment. But it is on us and the Virgin Islands for us to do our jobs. For us to do what we are responsible to do."

He added, "It's up to us as parents to encourage our children to want to be educated and want to be prepared. But you're telling them not to work in the sun, not to go to college, not to take a vocational trade. But then you're telling them they deserve a job because they're from the Virgin Islands. It doesn't work that way. It does not work that way," Mr. Violet stressed.

Governor Mapp has called the Senate into special session on July 25 to either ratify the deal.